

NEWS: EUROPE

Double shooting shakes Mostar peace

By Laura Sibber in Belgrade

The EU administrator of the divided town of Mostar yesterday appealed for calm after the shooting of two Moslem policemen exposed the fragility of the Moslem-Croat Bosnian federation.

Tensions soared in Mostar after bullets fired from the Croat-held part hit a Moslem police car, seriously wounding two officers, on Thursday

night. It followed the death on New Year's eve of a Moslem youth who was shot as he crossed a check-point.

Mr Hans Koschmick, the EU administrator, warned: "It would be a lie if I said I had everything under control but I hope that serious people will understand how dangerous the situation is."

"Do not throw oil on the fire. We are trying to calm things down but we are not in a good

situation," he told a news conference in Mostar. The town, famous for its 16th-century bridge destroyed in 1993 by Croat troops, remains divided between the Croats and the Moslems despite nearly two years of EU administration.

The Dayton peace agreement hinges on preserving the shaky Bosnian federation, brokered by Washington in February 1994 to end a year of war between the Moslems and the

Croats. They are now uneasy allies, laying down their arms but making no progress in other areas of the federation agreement such as a joint military or the return of refugees.

Nato yesterday said its troops had fired their first shots in anger when an Italian sentry was wounded in Vogosca, a Serb-held suburb north of Sarajevo, since the Implementation Force (Ifor) was deployed 17 days ago.

Resigning foreign minister helped build new world order but has since taken a more anti-western line

Kozyrev introduced Russia to a world it still mistrusts

When Mr Andrei Kozyrev became foreign minister of the Russian Federation in October 1990, it was a half-imaginary job. The Soviet Union, of which Russia was merely the largest part, was very much in existence, and few saw the signs of imminent collapse.

When the Union did break up less than a year later, and Russia re-emerged from the ashes, the soft-spoken diplomat played one of the main roles in nursing the fledgling state into full-blooded existence.

In the aftermath of the Soviet collapse, he helped President Boris Yeltsin convince the world that Moscow had renounced its totalitarian past and was determined to be a model member of the world Union.

Where the Soviet Union had been expansionist, secretive and full of dark anti-western prejudice, the new Russia – or so Mr Kozyrev asserted – would be open, co-operative and respectful of human rights and international law.

Setting aside its traditional loyalties, Russia joined the western powers in imposing sanctions on international pariahs such as Serbia, Iraq and Libya – and agreed to deep cuts in its long-range nuclear arsenal under the Start-2 treaty.

At that time, Mr Kozyrev showed little patience with those who accused him of selling out Russia's interests. He

insisted that in many areas, Russian and western interests were virtually identical.

His pro-western school argued that all-out confrontation with the US had left the country in a state of ruined exhaustion; and full-scale partnership with the US, even at the cost of abandoning old friends, was the only other way Russia could retain a place on the international stage.

Links with Washington, especially in areas such as nuclear security where the US needed Moscow's co-operation, seemed to offer the best hope that the new Russian state would be accepted as the sole legal successor to the Soviet Union.

Both Mr Kozyrev himself, and Russia's foreign policy establishment, have moved a long way from the pro-western euphoria of that period.

Over the past two years, he has surprised his western friends with his willingness to change with the times and proclaim a much tougher line, reflecting a more assertive mood in Russia's political class and electorate.

At a Nato meeting in Brussels in December 1994, he left his western counterparts dumbfounded by his last-minute refusal to endorse a military co-operation deal with the west. Since then, he has defended Moscow's military onslaught in Chechnya, and even greater reluctance to ratify arms control accords concluded at a time of Russian weakness.

force outside its own borders to defend its kingdom.

But he has still insisted, in the face of brickbats from die-hard nationalists, that relentless confrontation can be counter-productive.

He has sought a middle way between confrontation and unconditional pro-westernism. "A complex process is developing in which the west cannot decide anything without us and we cannot decide anything without the west," he said last year. "Only the combination of forces will produce results."

However sensible they sound to western ears, such comments have only confirmed his association in the eyes of critics with a policy they see as fawning or even treacherous.

Mr Kozyrev's successor will be under strong pressure to reflect, in both style and substance, a growing conviction that Moscow's long-term interests diverge quite sharply from those of Washington, and that Moscow should look for tactical allies to help fight its own corner.

In practice, observers say, this could mean a return to old strategies of driving wedges between western Europe and the US; a renewed interest in south Asian partners such as India, Iran and Iraq; and even greater reluctance to ratify arms control accords concluded at a time of Russian weakness.

But Mr Yeltsin, who is vested by the constitution with the main responsibility for foreign policy, will insist on retaining the flexibility to make tactical compromises with Washington.

For now, the edge has been removed from US-Russian tensions by last October's successful summit, and an unspoken understanding that no substantive steps towards Nato expansion will be taken this year.

Whoever succeeds Mr Kozyrev is unlikely to be strong enough in his own right to challenge Mr Yeltsin's prerogative or limit the president's freedom of action to cut deals as the opportunity arises. The presidential apparatus will insist that the new minister co-operate with its efforts to streamline the formulation of external policy.

Mr Dmitry Ryurikov, the president's chief diplomatic adviser, recently announced the formation of a new foreign policy council in which the ministries of foreign affairs, trade and defense and the ex-KGB will all have seats.

He also set out its priorities: relations with China and other Asian states; the opening of markets in Asia and Latin America; European affairs; relations with Nato; and the Russia-US dialogue – in that order.

Bruce Clark and John Thornhill



Kozyrev: has surprised his western friends with his willingness to change with the times and proclaim a much tougher line, reflecting a more assertive mood in Russia's political class

Fall in Italian inflation rate forecast to continue

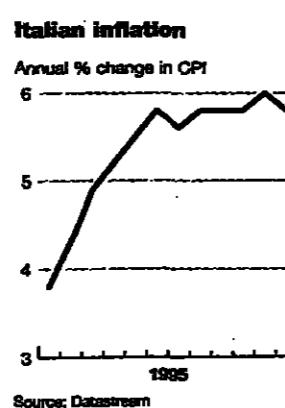
By Robert Graham in Rome

Italian inflation began to fall last month and is expected to drop further in the first months of this year, according to Mr Alberto Zulliani, chairman of Istat, the state statistics institute.

Mr Zulliani's predictions came despite Istat's release of figures showing Italy's economy had grown by 3.4 per cent in the first nine months of the year, the fastest rate in the EU. December inflation figures showed a month-on-month increase of 0.3 per cent, the first time since July that the monthly rate of increase had fallen.

December's year-on-year inflation however was 5.8 per cent and the average rate for the year was 5.4 per cent, almost double the EU norm. Although Istat is now convinced price rises are set on a downward curve, the 3.5 per cent target for the year set by the government in the macroeconomic framework for 1996 budget will be hard to achieve.

The high inflation in 1995 was attributed to three main factors, all of which have now more or less disappeared. In the first four months of the year, the lira was subject to further heavy devaluation with a consequent knock-on effect



for imports. But since May the lira has recovered ground, and by the end of the year was 2.7 per cent up on the dollar, though still over 5 per cent down against the D-mark.

The second factor affecting prices was VAT increases in the Dini's government's initial mini-budget. This was seen to add almost one percentage point to the overall index but the effect had been absorbed by the summer.

The third factor has been a sharp increase in producer prices, reflecting the way manufacturers have been passing on the cost of higher raw materials and raising their profit margins. Producer prices are reckoned to have increased on

average almost 7 per cent last year, double the rate of 1994. Government economists hope producer prices are now cooling as the economy has slowed down in the final quarter.

According to figures from Istat yesterday, Italy's GDP grew 2 per cent in the third quarter, giving 3.4 per cent for the first nine months of 1995. This was the fastest growth rate in Europe. Even though the pace has begun to slow, the overall figure for the year is likely to be around 3.2 per cent, slightly higher than originally expected.

The main problem ahead centres on wages. In each of the past three years wages have declined in real terms.

This is because the unions have exercised restraint to preserve jobs and to respect a 1993

accord with employers and the government.

The accord stipulated wages could not increase by more than the projected rate of inflation. With the projected rate persistently underestimating the real increase in prices, wage earners have lost out, especially in the public sector.

The unions have begun to demand that some of the loss of earning power be recovered. These demands could be stiffened if the 1996 inflation target looks like not being met again.

By John Thornhill in Moscow

The political turmoil in Lithuania worsened yesterday when two cabinet ministers tendered their resignations, saying they could no longer serve under Mr Adolfas Slezevicius, the prime minister who has become embroiled in a banking scandal.

Mr Algirdas Brazauskas, president of the Baltic state, refused to accept the ministers' resignations immediately and extended heavily qualified support to the embattled prime minister.

Mr Brazauskas said that "as a human being, citizen and president" he condemned Mr Slezevicius for withdrawing \$30,000 from his personal account in Innovation Bank two days before its operations were suspended by the central bank last month.

This had been an abuse of power to protect private financial interests, he said.

But he urged the centrist Labour party leader to remain in his post to help salvage Innovation Bank, which holds 16 per cent of all bank deposits in Lithuania. Tens of thousands of depositors have lost out, especially in the public sector.

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use of interest rates. Mr Erbakan said his party would honour all debts. Turkey has a foreign debt of \$73.5bn.

Mr Erbakan has repeatedly rallied against the International Monetary Fund, but he offered yesterday to re-establish a relationship with the multilateral organisation.

The \$740m standby programme Mrs Tansu Ciller, the outgoing prime minister, signed with the IMF in 1994 lapsed after she overshot all her 1995 policy targets.

He said Refah would "remove the obstacles to production, develop the private sector". State companies would be sold to those who could run them most profitably and the proceeds used to accelerate production.

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use of interest rates, Mr Erbakan said his party would honour all debts. Turkey has a foreign debt of \$73.5bn.

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Mr Erbakan avoided provocative remarks on the introduction of Islamic law, stressing that Refah would operate within the democratic system.

Mr Erbakan, who holds an engineering PhD from Aachen University in Germany, denied policy would be determined by religious principles. Instead he emphasised his nationalistic credentials. If Refah took power, he said, it would renegotiate

Ministers quit in scandal protest

By John Thornhill in Moscow

in the way that ordinary Lithuanian citizens see it, this administration should resign or be made to resign, but who would want this job which has to be done anyway?" Mr Brazauskas said. "The prime minister is human, and to err is human."

Earlier in the day, Mr Povilas Gylas, the foreign minister, and Mr Linas Linkevicius, the defence minister, had sent resignation letters to the president saying that "a moral and political crisis" had emerged within the cabinet and that it was no longer possible to serve the prime minister.

But Mr Brazauskas yesterday met all the other cabinet ministers, who indicated they were willing to work with the prime minister to help resolve the financial crisis.

The Bank of Lithuania suspended the operations of two of Lithuania's biggest banks in late December, fearing for their solvency. Four bank officials were subsequently arrested on suspicion of fraud.

A Baltic news agency report yesterday alleged that another government minister had also withdrawn \$2,300 from Innovation Bank shortly before its collapse.

In the end the panic, which originated with north German state governments, turned out to have been the customary mix-up between the genuine influenza and the common cold. Despite this, many appear to be healthy. The general public and the politicians are content, because mostly it's dying. Most content of all are the German pharmaceutical industry and the retail pharmacists, who sold out of influenza vaccines. Vitamin C pills, aspirins and other cold relief medicines were also popular.

He would tear up an agreement with France, the UK and the US allowing them to use a missile to fly missions over northern Iraq to protect local Kurdish populations from Iraqi attacks.

Despite his moderate pitch, Mr Erbakan will probably fail to persuade mainstream parties to back him. If this turns out to be the case, he will be able to tell his 6m voters that Refah was excluded from power because of the intransigence of other parties. He may then benefit as the leading opposition party amid the worsening economic conditions most forecasters expect for 1996.

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"This is all the result of irresponsible gossip. Certainly, there may have been some local problems, but as far as we can see, the flu is not a national issue."

"Four or five rounds were fired in order to recover a soldier who had been hit by rifle fire in the attack," said Lt Colonel Salvatore Iacono, of the Italian forces.

Efforts to cement the Dayton peace gained pace yesterday in Vienna when the former warring sides exchanged information on their weapons and agreed to despatch liaison to each other's military headquarters.

INTERNATIONAL NEWS DIGEST

French tax cuts ruled out for this year

Mr Alain Lamassoure, the French budget minister, has ruled out tax cuts or major fiscal reform this year because of the slowdown in the economy. But he told the Paris daily *Le Figaro* that good reform would allow a reduction of taxes for some people while not increasing it for others.

"This is only possible when the economy provides a sufficient margin of manoeuvre each year. It is to be feared that in 1996 this precondition will not occur," Mr Lamassoure is quoted as saying.

Mr Lamassoure stressed that the idea of sweeping reform of France's tax system had not been shelved.

Independent analysis now expect the French economy to grow by just under 2 per cent this year, below the original government prediction of 2.8 per cent. The government is hoping to cut its deficit this year to FF7.25bn (US\$8bn), from FF7.22bn in 1995.

Mr Lamassoure said the weak state of the economy this year would not prevent the government from preparing the ground for a real fiscal reform, notably by getting social security finances in order.

AP, Paris

EU officials on bribes charge

Two European Commission officials in Brussels and the wife of one of them have been arrested in connection with a bribery scandal involving European Union tourism subsidies. Mr George Tzavos, a Greek who headed the Commission's tourism department, his wife, and Mr Pascal Chatillon, a Frenchman who worked with Mr Tzavos, are under investigation for several alleged crimes, including the awarding of EU tourism subsidies to companies in return for "illegal commissions" that often amounted to several hundred thousand Ecu. According to Belgian fraud officials, companies in several EU member states sometimes paid more than 10 per cent of the total subsidies awarded them by the officials.

French authorities have arrested two company executives in connection with the case.

Emma Tucker, Brussels

China fines CD pirate

The music industry won an important round in its battle against Chinese piracy yesterday when a Shanghai court imposed a \$600,000 fine on a Taiwanese compact disc manufacturer for illegally producing and distributing unauthorised CDs. The fine is unusually high by Chinese standards. Mr Nic Garnett, director general of the International Federation of the Phonographic Industry, which instigated the case, said it should provide a "strong deterrent" to other music pirates in China.

Alice Rawsthorn, London

Minister enters telephone row

In an effort to end a row about rises of up to 156 per cent in the cost of local telephone calls in Germany, Mr Wolfgang Bötsch, Germany's minister for post and telecos, yesterday suggested that Deutsche Telekom review the figures the company submitted to the ministry in 1994 when the tariff changes were requested.

The ministry said the review was unlikely to alter the new tariff structure. Deutsche Telekom yesterday insisted the tariff structure was necessary to prepare for partial privatisation later this year and a liberalised telecoms market in 1998. Officials said that Mr Bötsch's comments were an attempt to fend off protests about the new prices.

Michael Lindemann, Bonn

NEWS: INTERNATIONAL

China's GDP growth put at 10.2% in 1995

By Geoffrey Crothall in Beijing

China's gross domestic product grew by 10.2 per cent last year, according to preliminary statistics released by the government yesterday.

The growth rate was slightly higher than the government's target of 8 to 9 per cent set last March by Mr Li Peng, prime minister, but still 1.6 percentage points lower than the growth rate for 1994.

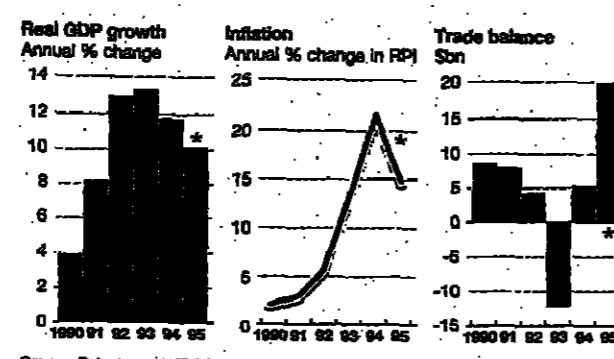
Inflation fell sharply in 1995 with the national retail price index dropping from 21.7 per cent at the end of 1994 to 14.8 per cent at the end of last year. The broader consumer price index, which includes services as well as retail goods, remained slightly higher at around 17 per cent, Mr Ye Zhen, State Statistical Bureau spokesman, told a press conference.

Mr Ye cited the reduction in economic growth and inflation as a sign that the government had been successful in bringing China's overheated economy to a soft landing, cooling inflation but still maintaining a healthy and stable growth rate. Mr Ye conceded, however, that while structural macroeconomic adjustments had on the whole been successful, difficulties remained in several areas.

"Some structural contradictions are still prominent, the agricultural base is still too weak, inflation is still at a relatively high level... and many enterprises are experiencing difficulties with production and management," he said.

The economic growth rate

China



for state-owned enterprises increased slightly in 1995 but State Statistical Bureau officials said about 40 per cent of all state-owned enterprises were still operating in the red.

Industrial production as a whole was up 14 per cent on 1994, while agricultural production rose 4.5 per cent, with the estimated grain harvest reaching a record 460m tonnes. Foreign trade for 1995 grew 18 per cent to \$280bn (£182bn), giving China a trade surplus of more than \$20bn, up from \$5.35bn in 1994. Foreign exchange reserves continued to grow, reaching an estimated \$70bn at the end of the year. Foreign investment in 1995 totalled \$37bn, up 11 per cent.

Mr Ye did not make any predictions for growth and inflation this year, but economists in Beijing said it would be difficult to maintain relatively high growth and bring inflation down to the government's target of 9 or 10 per cent this year. "There are still inflationary

pressures in China, the cost of services such as public transport is going up and money supply remains at a comparatively high level," said an economist at a western embassy in Beijing.

China's broad M2 money supply grew 30 per cent in 1995 according to preliminary estimates. M1, or cash and demand deposits, grew 18 per cent and M0, cash in circulation, rose 14 per cent. Mr Ye pointed out, however, that the scale of fixed asset investment, seen as one of the main causes of overheating in the Chinese economy, had been brought under control and that the investment structure was improving.

The growth of fixed asset investment in 1995 fell 12 percentage points over 1994 to 19 per cent. China was now seeing a more rational investment structure with greater investment in agriculture and more money being put into development of the hinterland rather than the coastal areas, he said.

There are still inflationary

Israel sees Syrian talks improving relationship

By Julian Ozanne in Jerusalem

Israel said yesterday peace talks with Syria in the US had broken new psychological barriers and laid the foundations for better relations between the two countries but the two sides had yet to make a breakthrough of substance in issues blocking peace.

Israel officials, however, said they were optimistic that Mr Warren Christopher, US secretary of state, would be able to nudge the negotiations forward when he visits Jerusalem and Damascus next week.

Mr Yossi Beilin, an Israeli cabinet minister, said: "I would say that something very important has happened that Mr Christopher, US secretary of state, would be able to nudge the negotiations forward when he visits Jerusalem and Damascus next week."

In an interview published in Israel Mr Uri Savir, chief Israeli negotiator with the Sy-

rians, said that the change in atmosphere was "definitely palpable" and that for the first time the two sides had discussed economics and the type of relations that would exist between the two sides in the next 10 years.

Mr Savir said Israel had told Syria it wanted a "complete change in the nature of relations from a situation of confrontation to a situation of real peace - establishing embassies, normalisation, tourism and joint projects in the areas of water and energy."

Israeli officials said they expected Mr Christopher, who joined the talks at a plantation in Maryland, would issue a declaration when the negotiations broke up late yesterday, saying that the two sides had created a new atmosphere.

However, Israel several times in the past voiced optimism about its talks with Syria only to see the negotiations collapse swiftly. It's possible that when we come to the substantive issue, both sides will discover that beyond the procedural openness nothing revolutionary has happened, Mr Beilin conceded.

Furthermore, Syria remains

solid in its demand that Israel publicly and officially commit itself to a complete withdrawal from the Golan Heights before any breakthrough is possible. Israel refuses to make this commitment saying the depth of withdrawal will depend on the depth of peace Syria is willing to offer.

Nevertheless, Israeli officials said they believed there was a good chance that Mr Christopher's visit would herald more progress. Mr Christopher is expected to announce further rounds of talks and Israeli officials said they hoped future talks would break up into working groups to discuss, simultaneously, all issues including security, water, borders, normalisation of relations and regional co-operation and economic integration.

They said Mr Christopher's visit would be a success if he could persuade Syria to upgrade the negotiating delegations to include military and treasury officials and to accept an Israeli proposal for a meeting of the two country's foreign ministers. Syria has so far refused to upgrade its delegation beyond the level of its ambassador to the US.

US trade laws allow time for months, and sometimes years, of negotiations and give discretion to the administration on sanctions. A finding of honour to honour an existing pact is supposed to bring swift retaliation. In practice, such actions have been rare. The new unit is expected to ensure quick retaliation.

Mr Kantor listed a number of priorities for the new office. These include possible action against South Korea for failing to enforce an anti-piracy pact.

In the first three years of Mr Kantor's term in office, trade officials focused their resources on negotiating new agreements. Mr Kantor said it was now time to focus on enforcement of the 183 pacts as well as those agreed under previous administrations.

"We must ensure the agreements are more than empty promises or cosmetic," he said.

Mr Kantor denied that his tough stance is related to election year politics. However, he noted that many Americans had doubts about the value of international trade. "No trade policy will be effective unless we build credibility with the US public and stand up for their interests," he said. "That means ensuring that other countries live up to their obligations."

The unit will work closely with the Commerce Department.

In some cases it will use the disputes settlement mechanism of the World Trade Organisation and North American Free Trade Agreement.

Palestinian master bomber killed in Gaza booby-trap

By Julian Ozanne in Jerusalem

The elusive Palestinian master bomb-maker, who struck fear into the hearts of many Israelis and inspired Palestinians with his daredevil cunning and fierce resistance to Israeli occupation, was killed yesterday in the Gaza Strip.

Palestinian officials said Mr Mohammed Ayyash, also known as "The Engineer", had been killed by a booby-trapped cellular telephone packed with 50 grams of explosive.

The military wing of the

accused Israel of assassinating its hero and vowed to retaliate against the "Israeli security apparatus" for "this cowardly act which hasn't taken into consideration the consequences".

Israeli ministers confirmed that Mr Ayyash, who master-minded scores of devastating Islamic suicide bombings against Israelis, had been killed.

However, they refused to confirm or deny that Israeli security forces had been involved in the death of a man who headed Israel's most

wanted list for over two years. The Hamas revenge threat, if carried out, could pose a serious challenge to Palestinian elections now under way and will further worsen relations between Hamas and Mr Yasser Arafat, the veteran Palestinian leader.

Hamas, which opposed the Israeli-Palestinian peace process and is boycotting the elections, will almost certainly accuse members of Mr Arafat's security forces of being in collusion with Israel in the killing of Mr Ayyash deep inside Palestinian controlled territory.

Expectations rose yesterday that the Dabhol power project, India's biggest and most controversial foreign investment, could today finally win approval to proceed from the Indian state government of Maharashtra, which originally "scrapped" the \$2.8bn (£1.8bn) project in August.

An unnamed minister from the state government told the Indian Express newspaper that since Enron, the US energy group leading the project, had "agreed to our terms and con-

ditions", the cabinet would grant approval at a special sitting. Reuter news agency also quoted a minister saying anonymously: "It has been decided. Now announcing it is just a formality."

An Enron official said the company had no information about either impending approval or even whether the project was to be discussed today.

A decision to proceed should close a controversial saga which raised serious questions about the political viability of the Indian government's plan to attract foreign investment

into its ailing power sector, operating below capacity.

It would also put back on course the sole foreign-backed power project to have secured all necessary approvals and financing. The first phase of the original 2,015MW plant was under construction on the coast south of Bombay when the state's newly elected Hindu nationalist government scrapped it. The Hindu nationalistic parties had made Dabhol an issue during the successful campaign against the previous Congress party administration in state polls early last year.

The state government at the

Socialist PM who buried socialism

Murayama's turbulent time as Japan's premier comes to an end, says Gerard Baker

It may not have been the epitaph to his political career he would have hoped for in his youth, but the verdict on Mr Tomiichi Murayama's 18-month premiership of Japan is that he probably did as much as anyone in the post-cold world to bury socialism.

The fiery campaigner, who made his name in the 1960s and 1970s preaching the Socialist party's only slightly modified version of Marxism, ended up heading a government that methodically rejected every policy that had distinguished the party in the post-war period.

He became prime minister in the most unlikely circumstances in June 1994 at the head of a coalition government largely comprising his own renamed Social Democratic party and its long-time adversary, the Liberal Democrats. In the months that followed, some of the main constitutional, economic and social tenets of party dogma were dumped.

The cornerstone of Japanese defence policy, the US-Japan security treaty, once reviled by Socialists as "militarist", was not only reaffirmed but strengthened by Mr Murayama. The country's military, whose very existence he used to regard as unconstitutional, was expanded. The use of the controversial *hakemarui* flag in schools and the national anthems were also approved, as was Japan's civil nuclear power programme.

In economic policy, the prime minister persuaded his party to accept a rise in consumption tax - a policy it had long opposed and over which it had walked out of a previous government.

Some of the revisionism clearly caused Mr Murayama great personal disquiet. Perhaps most tellingly, it was obvious during the commemorations last year of the 50th anniversary of the second world war that the prime minister was anxious to issue a full and unequivocal apology for Japan's war record, reflecting a view of the war long held by the SDP that it was one of aggression. But objections from LDP members produced instead a watered-down, convoluted expression merely of regret.

It was not, of course, simply the pressures of coalition that forced the changes. After the end of the cold war the Socialists in Japan, as elsewhere, struggled to redefine their role. But the speed with which they completed their journey from Marx to mannaeum was unique.

The process was assisted by the exigencies of electoral politics. Mr Murayama, and his party went along with the dizzying volte-face largely out of political expediency.

Though most SDP members were unhappy, they preferred the changes to the near-certain electoral oblivion they faced in the event of a dissolution of parliament. Yet the irony for them was that in abandoning the policies, they probably lost themselves even more votes than if they had resisted.

Many SDP voters felt betrayed and in local and upper house elections last year, the party suffered some of its heaviest losses ever. The disaster hastened efforts to disband the SDP and form a new grouping, though splits

between traditional socialists, who want to return the party to its ideological roots, and reformists, have repeatedly postponed the launch.

His contribution to the historic record of socialism in Japan may not be a positive one, but Mr Murayama can point to real successes during his premiership. His government managed to steer through far-reaching tax changes, and long-awaited electoral reforms, both of which had eluded previous governments. And his personal efforts ensured that victims of the infamous Minamata chemical poisoning in 1956 will at last receive decent compensation.

Above all, in a year and a half which saw Japan beset by an almost biblical array of disasters - earthquake, terrorist attack, and financial collapse - his government roused itself to respond to its greatest challenge. It implemented a series of substantial fiscal and monetary stimuli, which seem likely to stir the economy from its long recession, something which none of its predecessors achieved.

Appointment of Republican speaker ends 14-month stand-off

Conservatives grab power in California

By Christopher Parkes

in Los Angeles

Conservative Republicans have consolidated their hold on power in the California State Assembly and set about demolishing the power structures installed by the Democrats during their 25 years in charge.

Sackings of Democrat appointees, prompting accusations of a witch-hunt, started after the Republican caucus ended a 14-month stand-off by installing the speaker of its choice on Thursday afternoon.

The appointment of Mr Curt Pringle, a 36-year-old conservative, marked the end of a farcical interlude in which skilful Democrats had held on to the reins of power despite narrowly losing their customary majority in the November 1994 state election.

The victors marked their



Willie Brown: winner in San Francisco but finally eliminated by Pringle in the state assembly

caucus. This "group" comprises one member, a former Democrat who switched to Mr Ross Perot's fledgling party last year and earlier this week voted for the changes to the rules committee which eased aid to the conservative coup.

Although the Democrat-controlled Senate, or upper house, warned the incoming speaker against fostering "extreme"

legislation, the appointment of Mr Pringle, and the accompanying dilution of Democrat representation on the rules committee, is a big advance for Republicans preparing for elections in November.

Mr Pete Wilson, pugnacious state governor, was quick to welcome the move as an "advantage for the forces favouring a less government and a friendlier business environment.

Although one leading Democrat described Mr Pringle as "an articulate spokesman for an extreme point of view", others readily acknowledged his political skills, especially in budget affairs.

Among his first moves, Mr Pringle engineered the abolition of a top post on the rules committee which had traditionally served to allow the opposition to share control of house management.

He also arranged the removal of the assembly's chief sergeant-at-arms, a long-time associate of the former speaker, and newly elected mayor of San Francisco, Mr Willie Brown.

Mr Brown, who had held power for 15 years before being ousted by newly introduced term limits, was the man widely credited with denying Republicans full control since their 1994 state election win.

Mr Pringle promised a speedy removal of all traces of Mr Brown's regime. "Willie Brown said it would take five years before we could unravel the operations of this house," he said. "We need to do it in five weeks." Party colleagues set about ousting Democrats and their entourages from the largest and most amenable offices.

Republican officials also ordered state attorney agents to seize a garbage truck which, they said, contained documents which would prove Democrats had illegally worked on party political and electoral business using state-owned materials and state-paid time.

Kantor sets up trade watchdog

By Nancy Dunne

in Washington

Mr Mickey Kantor, the US Trade Representative, yesterday announced the creation of an office devoted to overseeing enforcement of trade agreements and warned trading partners that failure to abide by pacts would bring a tough US response.

"I want to give ample notice to foreign governments who are not living up to the obligations we will not tolerate... a failure to honour agreements, or the violation of US trade laws," he said in a speech to the centre for national policy.

US trade laws allow time for months, and sometimes years, of negotiations and give discretion to the administration on sanctions. A finding of honour to honour an existing pact is supposed to bring swift retaliation.

In practice, such actions have been rare. The new unit is expected to ensure quick retaliation.

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In the first three years of Mr Kantor's term in office, trade officials focused their resources on negotiating new agreements. Mr Kantor said it was now time to focus on enforcement of the 183 pacts as well as those agreed under previous administrations.

"We must ensure the agreements are more than empty promises or cosmetic," he said.

Mr Kantor denied that his tough stance is related to election year politics. However, he noted that many Americans had doubts about the value of international trade. "No trade policy will be effective unless we build credibility with the US public and stand up for their interests," he said. "That means ensuring that other countries live up to their obligations."

The unit will work closely with the Commerce Department. In some cases it will use the disputes settlement mechanism of the World Trade Organisation and North American Free Trade Agreement.

Approved both phases of what would become a 2,450MW gas-fired power plant. When the deal was cancelled, En

NEWS: UK

Labour claims affinity with Asian economies

By John Kampfner, Chief Political Correspondent

Mr Tony Blair, leader of the opposition Labour party, claimed in Tokyo last night that his party's emphasis on training and investment was in tune with Asian economies. He said his party's approach was closer to those economies than that of the governing Conservative party.

"The Japanese understand very, very clearly that basic minimum standards of their treatment of employees are not in any way inconsistent with efficiency," Mr Blair said on BBC radio. "We are not going to be able to compete on the basis of a low skill, low technology economy."

The British government

sought to ridicule Mr Blair's claim that Labour was the champion of entrepreneurial spirit. The government's attack followed a pledge to Japanese business leaders by Mr Blair that he was committed to competitive tax rates.

Mr Michael Heseltine, deputy prime minister, led the assault, describing Mr Blair's speech during a two-day visit to Tokyo as a "confidence trick".

Mr John Major, the prime minister, is expected to reinforce the point in a television interview tomorrow. Aides said the prime minister would reaffirm his intention to stay the course until the final due date for a general election in May 1997, to see through legislation that would make Britain "Europe's enterprise centre".

Mr Blair's itinerary in Tokyo yesterday was affected by the resignation of Mr Tomiochi Murayama, the Japanese prime minister. The most senior figure to receive Mr Blair was the outgoing foreign minister, Mr Yohji Kono. Mr Blair today moves on to Singapore for talks with government and business leaders after receiving a largely warm response from his Japanese hosts.

His trip is part of a broad initiative to woo hitherto sceptical audiences with his party's new-found commitment to keep a firm rein on inflation and trade union power. Mr Gordon Brown, the Labour party's shadow chancellor, will next week make a similar point to senior figures in US politics and commerce.



Ichiro Ozawa, leader of Japan's Shinshinto (New Frontier) party, meeting Tony Blair, leader of Britain's Labour party, in Tokyo yesterday

Photograph: Reuter

Conservative strategists have been perplexed over how to respond to Mr Blair's apparent success in claiming some of their ground. On some occasions they have described him as "a weak imitation of the

real thing"; sometimes they have asserted that he has not shifted as far as has been maintained.

Mr Stephen Dorrell, health secretary in the British government, said: "The Japanese are

a polite and well-mannered people. It is no surprise they gave Mr Blair a warm welcome and listened to him with interest. But when hard-nosed business decisions come to be made they won't be taken in."

Skippers call EU fish rules 'complex beyond belief'

By Deborah Hargreaves in London

Britain's fishermen risked another dispute with the government yesterday when they threatened not to comply with new fishing rules because none in the industry can understand them.

Fishermen's leaders said the new 28-page guidelines for fishing in the western waters around Ireland should be sent back to the government. The rules were sent out to all fishermen two weeks ago.

"These instructions are complex beyond belief," said Mr Barry Deas, chief executive of the National Federation of Fishermen's Organisations. "Skippers are throwing them aside in despair after trying to establish when, where and how they are to comply with the new rules."

The government said it was making fishery officials available to speak to the industry. Senior officials are meeting the

Top prize climbs above \$60m



THE NATIONAL LOTTERY

Camelot, the consortium which operates the National Lottery, yesterday had to revise upwards its estimate for the size of

prize fund has gone up £73m.

Camelot expects that more

than 80 per cent of the UK population will take part, underlined by warnings from churchmen of the mortal dangers of winning such a large prize.

It is likely that about

£100m will have been spent on

tickets, far exceeding last

week's record total of

£78.4m.

This week's total estimated

and if the forecasts of total sales turn out to be accurate the five "good causes" which qualify for lottery funds should receive nearly £3m from this week's tickets alone.

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than 80 per cent of the UK population will take part, underlined by warnings from churchmen of the mortal dangers of winning such a large prize.

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£78.4m.

This week's total estimated

If no-one does choose the correct numbers, the rules allow for one final rollover which would almost certainly lead to a jackpot of well over £50m next week.

There was no sign of the rumoured mysterious syndicates buying up millions of tickets to try to improve its chances of winning.

The size of the jackpot has

been attracting day trippers from mainland Europe, and stores in English ports such as Dover reported French visitors spending up to £60 each on

tickets.

"They are very welcome," Camelot said yesterday. But the consortium is much less sure about the activities of entrepreneurs in the Irish Republic who have been sending couriers to Northern Ireland and selling UK National Lottery tickets in the south of a Taylor.

Mr Michael Taylor, director of the Christian Aid charity, urged the government to consider giving unclaimed National Lottery jackpots to charities rather than rolling them over to another big prize the following week.

Central bank issues pay rise warning

By Gillian Tett, Economics Correspondent

Mr Eddie George, governor of the Bank of England (the UK central bank), suggested yesterday that a surge in wage deals could threaten the inflation target and reduce the likelihood of interest rate cuts.

Mr George said in a radio interview that wage settlements had been unusually subdued in the past year. But he

warned that if high profile

companies, "which people pay attention to", offered large wage settlements, they could have an adverse effect on the broader inflation climate.

His warning came the day after unions at the Vauxhall offshoot of General Motors voted to reject an offer of a 4.5 per cent wage rise. Unions at Ford, often seen as a benchmark for the rest of the industry, are balloting members about a strike in support of their 10 per cent claim.

Bank of England officials yesterday denied Mr George was criticising any specific company and stressed that labour costs were only one factor affecting interest rate decisions.

Recent internal research by the Bank has suggested that settlements at "benchmark" companies may have less impact than previously thought on the rest of industry.

However, Mr George's com-

ments will fuel suspicions in the City of London that the Bank will resist further interest rate cuts until the full impact of January's wage deals and other economic trends becomes clear.

The governor is next due to meet the Mr Kenneth Clarke, chancellor of the exchequer, on January 17.

It will be their first meeting since their decision to reduce rates by 25 basis points to 6.5 per cent in December 1995.

Rover becomes month's car market leader

REGISTRATIONS OF NEW CARS

Dec 1995 Dec '94

Total market 71,540 -2.3 100.0 100.0

UK produced 33,749 -4.5 47.2 48.2

Imports 37,791 -0.3 52.8 51.8

Japanese makes 8,094 -6.7 11.3 11.9

Ford group 11,191 -29.5 15.6 21.1

10,612 -29.3 15.3 21.1

-22.8 -25.6 0.4 0.5

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COMPANIES AND FINANCE

Forte bid awaits Monday decision

By Scheherazade Denehy and Raymond Snoddy

Granada will decide at a board meeting on Monday afternoon whether to continue its increasingly bitter £3.3bn takeover bid for Forte, the UK's largest hotels group. It is expected to be a close decision.

"Nothing will be decided until Monday afternoon at the earliest," Mr Gerry Robinson, chief executive said yesterday. The TV, catering and leisure group has until Tuesday to raise its bid.

Instrumental shareholders in Granada and Forte yesterday expected an

increased offer, particularly of the cash element, but some said there was a risk Granada might overpay. Many were impressed by Forte's defence and thought the final outcome would be close.

When Granada launched a hostile bid for London Weekend Television in 1993 it increased its bid by enough to win. But last year it pulled out of talks to buy the contract catering business of Accor, the French hotel and catering group.

One shareholder in both companies said that Granada, which has not yet responded to Forte's final document

released Tuesday, had to convince the City that the takeover was the right thing to do. Given the speed with which Forte had reacted, "there might be a lot in it for Granada to walk away".

However, another dual shareholder doubted Granada would let its offer lapse. "It's very difficult for a bidder to walk away from a target even when it's right." Another thought that if Granada did walk away, "they'll look stingy or lacking the courage of their own conviction".

Granada is offering four shares plus £22.25 cash for every 15 Forte shares, worth 25p a share at last night's close.

There is a fully underwritten cash alternative of £21.67p.

One Granada shareholder said that if the company raised its bid to between 370p and 380p, "that would be just about OK". Another said that its decision would be swayed by the returns Granada thought it would give its shareholders at that price and its plans if it did not win.

As the bid enters its crucial stages there is no sign of a deal being brokered between the two sides. The acquisition will either go ahead in its entirety or it will not according to senior Granada executives.

Changing sentiment puts bid in doubt

It is one of the more remarkable changes of City sentiment in the middle of a takeover battle.

Just six weeks ago, when Granada launched its hostile £3.3bn bid for Forte, the hotels group seemed to stand a poor chance of retaining its independence. It had a lacklustre profits record, some analysts criticised its management for tardiness in restructuring and the opening offer from the highly regarded Granada team seemed pitched at a reasonable price.

Yet this week, when Forte presented a well-received defence document to investors, it became clear that the mood had switched. Many in the City now think Forte has a reasonable hope of escape.

Some of the credit must go to Sir Rocco Forte, the chairman, who has assembled a strong team of financial advisers and been willing to push through a sweeping restructuring.

However, two other figures have played a particularly important role behind the scenes.

Mr Keith Hamill, right, Forte's 42-year-old finance director is one of three men on a sub-committee of the board overseeing the defence, along with Sir Rocco and Sir Anthony Tennant, non-executive vice-chairman. He played an especially large role in developing this week's defence document.

The other is Mr Roberto Mendoza, vice chairman of JP Morgan, the blue-chip US bank and a friend of Sir Rocco from their school days. He built up Morgan as a force in Wall Street takeovers during

Martin Dickson reports on Forte's effective defence to Granada's hostile £3.3bn offer

the 1980s and was brought in as a special adviser by Sir Rocco.

Central to the improvement in Forte's chances has been its willingness to sell assets representing almost half the group's turnover, including its restaurants, activities and Lilliputian-white, the sporting goods retailer, and its ability to find buyers at respectable prices for most of these businesses in just a few weeks.

The rump Forte will be a "pure hotels" group - a contrast to the diversified Granada - and the disposals will fund the largest share buy-back in UK corporate history. Improving cyclical prospects for hotels has also allowed Forte to commit itself to dividend increases of 20 per cent a year over the next three years.

Granada argues that this burst of activity is purely a response to its bid, underlining the poor quality of Forte's management. Mr Gerry Robinson, Granada's chief executive, quips that the group has produced more strategy "in 10 days than in 10 years". Other critics wonder whether Mr Mendoza has played the role of *eminence grise* in setting Forte's new agenda.

Mr Hamill says this is unfair. He points out that long before the bid, Forte had slimmed from four divisions to two. He insists that "we have ended up with what Rocco wanted in the first place" albeit somewhat

faster than planned. Whatever the truth, speed in executing the disposals has been crucial to improving the group's credibility. The task has fallen largely on Forte's own executives, Mr Hamill's finance department and the legal department, aided by three City law firms.

The finance team worked 14-hour days, six or seven days a week for a month to meet the deadlines. Mr Hamill points out that many of them are young, in their early 30s. "It's a great advantage to have people who don't need much sleep."

His own background has helped prepare him for a takeover fight. A stocky, bespectacled man with a keen sense of humour and down-to-earth manner, he was educated at Nottingham University, where he read politics and was president of the students' union. He has a reputation as a demanding manager and a workaholic.

He joined accountants Price Waterhouse from university, rose to partner, and worked as an auditor on the Guinness account at the time of its 1986 bid for Distillers. He was called as a witness in the subsequent trial of Mr Ernest Saunders,



the former Guinness chairman, over the conduct of the bid.

He was recruited to Guinness itself in 1988 by Sir Anthony Tennant, then chairman of the drinks company, and rose to be finance director of United Distillers, its spirits subsidiary, before joining Forte as finance director in September 1992.

Mr Mendoza appears to have played at least three important roles. One has been co-ordinating the huge advisory team, which led by SBC Warburg and includes Morgan Stanley, the US investment bank, and brokers UBS and Cazenove.

Mr Hamill acknowledges that in the first days of the bid there was confusion in the Forte ranks like "being on the Titanic when the iceberg struck". Now, he says, the team is working extremely smoothly.

Mr Mendoza has also been generating ideas. As he has little experience of the UK takeover business, these are thought to have included questioning of the traditional British assumptions about bid tactics.

And he seems to have generated confidence in the Forte camp. Mr Hamill reckons an important point came when a newly arrived Mr Mendoza told his first defence team meeting that "it was perfectly possible we would win".

He may be proved right. But the ball is now in Granada's court, and much will depend on the strength of its return next week.

Enlarged Welsh Water to resist separate listing

By Peggy Hollinger

Welsh Water yesterday said it would strongly resist any attempt by the industry regulator to seek a separate listing for the water business, following its takeover of South Wales Electricity.

Mr Graham Hawker, chief executive, said a separate listing was "impractical and undesirable for both shareholders and customers".

Floating the water utility would "inhibit efficient management" and could reduce savings from combining the businesses.

Squabble over takeover tables

The annual takeover league tables are supposed to establish which investment bank is cock of the walk, writes George Graham.

But this year's tables from IFR Securities Data have set feathers flying, as the king-sized ego inhabiting the mergers and acquisitions departments of the big US and European investment banks squabble over who should get credit for which deal.

At the heart of the dispute is Lloyds Bank's takeover of TSB, a blockbuster merger which adds £1bn to the tally of any adviser with a finger in the pie.

By general agreement, the principal adviser for Lloyds Bank was Baring Brothers, now the corporate finance arm of ING. By equally general consent, TSB's financial adviser was JP Morgan, whose financial institutions specialist, Mr Terry Eccles, dreamt up the deal.

But Morgan Stanley had been TSB's adviser

of record, and the US investment bank was asked to give a valuation opinion to soothe its hurt feelings. That was enough for IFR Securities Data, which added the deal to Morgan Stanley's tally.

Even more irritatingly for JP Morgan, which has been steadily building its European M&A franchise over the past five years and thought it was poised to top the league table in 1995, TSB was enough to propel MS into first place for takeovers with a European target.

The table shows Morgan Stanley first with 31 deals valued at \$45.7bn (£29.6m), while JP Morgan also advised on 31 deals valued at \$40.3bn. They edged out Barings, Goldman Sachs, Lazard and SBC Warburg.

Morgan Stanley also topped the table for worldwide takeovers, with 149 deals valued at \$132.5bn, ahead of Goldman, CS First Boston, Lazard, Salomon and JP Morgan.

The cup of cheers or tears?

Patrick Harverson on why today's game is crucial for Tottenham

fall is a big blow.

Tottenham shares are especially vulnerable to match defeats because their recent rise has been achieved primarily on the back of positive results in the league.

Since late September, the team has lost only twice in 17 games, and has climbed from mid-table to fourth. In that period, the shares have risen almost 80 per cent.

However, another factor buoyed the shares during this period: speculation that Mr Alan Sugar, Tottenham's chairman, would sell part of his 50 per cent stake in the club.

Marketmakers say such a move would make it easier for prospective buyers to get hold of the shares, which are currently in short supply because they are held by a small number of individual and institutional shareholders.

Yet, analysts and executives at the club argue there is one other reason why Tottenham is making such large gains on the stock market. They believe City institutions are learning to view football clubs as good investments.

Mr John Sedgwick, the club's finance director, says Tottenham recently began entertaining potential investors at its White Hart Lane ground. It wanted to show them that the image of football as a dull sport played in tatty



stadiums in front of violent crowds was outdated. He says many of the visitors were surprised at the quality of the modern 38,000-seater stadium, the extensive corporate entertainment facilities and the positive atmosphere among the crowd.

Mr Sedgwick says: "A lot of fund managers have not been to a football game for years. Some of them are particularly impressed by the stadium... it changes their opinion of football."

Mr Lee Collins, director at Collins Stewart, Tottenham's chairman since September, agrees. "The image everyone has of the game was when they went to football matches as a 15-year-old. They go into Spurs and other new stadiums and realise it's quite a different game from the one they used to remember."

For there is more than footballing pride at stake in the FA Cup. The sport's premier domestic knockout competition can generate handsome extra profits for clubs which progress through to its later rounds. A good cup run means higher gate receipts, television revenues, and merchandise sales, and victory in the final leads to lucrative appearances in European competition. Missing out on this financial wind-

John Lewis has record Christmas

By Neil Buckley

John Lewis Partnership, the employee-owned department stores and Waitrose supermarket group, saw a boost to the retail sector yesterday with news of a record Christmas.

Sales in the week to December 23 in its 23 department stores were up 20.1 per cent on the previous year, at £257m - after increases of 12.7 per cent and 14.3 per cent in the preceding two weeks. Sales in the Waitrose supermarket chain were up 13.7 per cent at £28m.

For the week to December 30, department store sales were slightly ahead but Waitrose sales were up 29.7 per cent.

It is expected to give its advice to the trade and industry secretary, who makes the final decision, by January 26.

TeleWest departure

TeleWest, the biggest UK cable communications company, announced yesterday that Mr Danny Bryan, its chief operating officer and a director of the company, had resigned with effect from January 1.

Forecasting football club profits, however, is an inexact science and much depends on the team maintaining its good form - starting with today's crucial game.

Merrill Lynch to move into Spanish broking

By Tom Burns

In Madrid

Merrill Lynch, the US investment bank, is poised to take a leading position in Spain's securities business through a strategic alliance with FG, the biggest independent broking and asset management firm in the domestic market.

The agreement, which could involve a stake in FG's equity and an investment by Merrill Lynch of between \$10m-\$20m, reflects the US bank's strategy of "being global and local".

Merrill Lynch, which last year took over UK brokers Smith New Court, is seeking to take strong positions in local markets to complement the thrust of its worldwide securities business.

The Spanish move amounts to Merrill Lynch setting itself up as a fully fledged domestic securities firm competing directly with the leading local houses. It is understood that

similar moves are planned in France, Germany and Italy.

Merrill Lynch is said to be confident the alliance will be in place before the end of this month.

However, the Spanish firm, which is majority-owned by its founder and chairman Mr Francisco Gonzales and by its top managers, said: "We have made no decision on anything and we'll have to see what will happen in the future."

FG, which has 140 staff, was ranked fourth among Spanish broking houses in 1995, after the firms owned by the big retail banks Banco Bilbao Vizcaya, Banco Santander and Argentaria.

The second attraction of FG for Merrill Lynch is the strong position the Spanish firm has in asset management. Spanish institutional funds total some \$100bn in mutual funds and a further \$10bn in pension funds. This market is regarded as having great potential.

See Lex

business in Madrid and was the global co-ordinator in the \$1.3bn placement last October of shares in Telefónica, the Spanish telecoms group.

The US bank is particularly interested in FG's leading role as a trader in the domestic fixed income secondary market and in the Spanish firm's high trading volume in the Bolsa's blue chips.

An alliance with FG would complement Merrill Lynch's co-ordinating role in Spanish privatisations, by allowing the US bank access to the flow of domestic funds on an equal footing with BBVA, Santander and Argentaria.

The second attraction of FG for Merrill Lynch is the strong position the Spanish firm has in asset management. Spanish institutional funds total some \$100bn in mutual funds and a further \$10bn in pension funds. This market is regarded as having great potential.

See Lex

US dents Delhaize sales

Delhaize, the Belgian supermarket group, incurred a 3.3 per cent decline in sales last year as a result of the sluggish dollar, AP-DJ reports from Brussels.

Sales fell to BFr368bn (£12.3bn) from BFr381bn the previous year. The company noted, however, that sales were up 5.6 per cent on a constant currency basis. Delhaize posts a large part of its turnover in the US at its Food Lion unit.

Alfa-Beta of Greece registered a 25 per cent advance to Dr81.57bn (£41m). Delvita, a Czech affiliate, increased turnover by 54 per cent to Kč2.4bn (£90m).

The Belgian supermarket group said it had opened 58

new stores worldwide last year, and would add a further 104 in 1998.

In spite of the sales slide at Super Discount, Delhaize said it expected the Atlanta-based unit to post a profit for 1995.

This year, investments in the Belgium home market are expected to reach BFr2bn, the group said. In Greece, France and the Czech Republic, some 20 supermarkets will open their doors during the year, as well as two distribution centres.

Delhaize also expects to pay a dividend this year that exceeds last year's BFr23 a share.

Rexam enters 'final furlong' in search for management team

By Patrick Harverson

It was in "the final furlong" of its search.

The successful end to the long search for successors to the current chief executive Mr David Lyon and the outgoing chairman Mr Michael Woodhouse - who step down in June - will please the City, which has been concerned that Rexam's difficulties in finding a new management team would hamper its ability to steer a path through its present problems.

In the past four months the group has made two separate profits warnings because of deteriorating conditions in its main markets, and has seen its shares lose more than 40 per cent of their value.

Rexam said: "The result, once the two individuals' backgrounds have been understood, is as good as we could have hoped for."

OIS says Abbot bid discounts potential

By Tim Burt

OIS International Inspection, the industrial testing company, yesterday accused Abbot Group of trying to buy it "on the cheap" with its £7.8m hostile bid.

OIS said the all-paper offer by Abbot, the oil and gas services group, failed to reflect its technical inspection services for the construction, petrochemical and power generation industries.

Nevertheless, Mr Rendle admitted that trading conditions remained difficult.

Congrat-
ulations Audi,
BMW and Lotus
on your presti-
gious awards
by AutoWeek.
Our Opel
Vectra team
could hardly
be in better
company.

Winning international awards for excellence is a heart-warming, but quite familiar experience for our engineers and designers. In fact, they can point to some five dozen major awards, just in the last three years. Naturally, further acclaim is always welcome to our team – as it is to Opel customers, who can be even more certain that they've made a wise choice.

This time, it was our brand new Vectra that won its first trophy: influential AutoWeek

magazine selected it as "the most significant" car at the Frankfurt International Motor Show. That's good news, especially as we shared the honours with three other highly respected names in the car business: Audi, BMW and Lotus. Each one was cited for a different aspect of automotive excellence.

So, bravo to our fellow award-winners and the Opel Vectra team for another great job. As we're sharing the honours, we'll happily share the

champagne. It's due to flow this week, during the official AutoWeek trophy presentation at the Tokyo Motor Show.

Cheers!

OPEL 

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS
Gold gets off to a flying start

The gold market made a flying start to the new year as US-based investment funds rediscovered their taste for the precious metal.

On the London bullion market the gold price burst through the upper end of last year's restricted range to prepare the ground for a possible assault on resistance at \$400 a troy ounce.

"Everyone is very, very positive," one dealer told the Reuters news agency yesterday, after the price had peaked at

at the London Metal Exchange, where analysts were trying to predict where the current copper price slide would bottom out.

Fulfilling late December's gloomy auguries, the three-month low of \$2,520 a tonne came in at one point on Thursday and closed yesterday at \$2,555.50, down \$15 on the day and \$103 on the week.

Another big fall in LME stocks took the total to the highest level since December 1994, and traders said that while that trend persisted a test of Thursday's low would remain on the agenda.

The only factor supporting the market was the continuing severe tightness, which widened the cash premium over three-month metal to \$157 a tonne, well below the \$300-level reached late last year but still substantial enough to discourage operators from selling the market short, dealers told Reuters.

Other base metals followed copper lead, notably aluminium, which, until this week had been showing some resilience. The three months' price bounded by \$10 yesterday - helped by news of a smaller-than-expected stocks fall - but still ended \$11 down on the week at \$1,643.50 a tonne.

Nickel prices also ended well up from the lows. The three months' position dipped to \$7,455 a tonne on Wednesday but closed yesterday at \$7,720, down \$210 on balance.

At the London Commodity Exchange robusta coffee prices remained under pressure, despite concern about cold weather and heavy rain in Central America and Brazil.

As producer selling, mainly by Vietnam and the Ivory Coast, capped an attempted rally the March delivery price ended the week at \$1,724 a tonne, down \$35 overall but well above Wednesday's life-of-contract low of \$1,684.

Nearby supply tightness was still in evidence, with the premium for the prompt January position ending at \$156 a tonne, little changed on the week.

It was a very different story

Richard Meoney

| WEEKLY PRICE CHANGES | | | | | | | | | |
|------------------------|---------------|----------------|-------------|-------------|-------------|---------|-------------|-------------|-------------|
| | Latest prices | Change on week | Year ago | 1995/96 | | 1996/97 | | | |
| | | | | Open | Sett. price | Change | High | Low | Vol. (000s) |
| Gold per troy oz. | \$367.00 | +0.05 | \$367.75 | \$366.10 | \$366.10 | -\$0.05 | \$368.00 | \$366.00 | 8,338 |
| Silver per troy oz. | 354.50p | +24.20 | 300.75p | 375.00p | 375.00p | +24.20 | 375.50p | 375.00p | 1,200 |
| Aluminium 6.3% (cash) | 1,000.00 | +0.00 | 998.00 | 1,010.00 | 1,010.00 | +0.00 | 1,010.00 | 998.00 | 6,679 |
| Copper Grade A (cash) | \$2,742.5 | -35.5 | \$2,694.0 | \$2,610.0 | \$2,610.0 | -35.5 | \$2,620.5 | \$2,602.5 | 2,275 |
| Lead (cash) | \$591.0 | -26.5 | \$585.5 | \$576.0 | \$576.0 | -26.5 | \$586.5 | \$576.0 | 2,025 |
| Nickel (cash) | \$77,200.0 | -21.0 | \$76,550.0 | \$71,010.0 | \$71,010.0 | -21.0 | \$76,947.5 | \$71,010.0 | 1,200 |
| Zinc SHG (cash) | \$10,100.0 | +6.00 | \$11,400.0 | \$12,065.0 | \$12,065.0 | +6.00 | \$12,065.0 | \$12,065.0 | 1,200 |
| Tin (cash) | \$62,935.0 | -40.0 | \$60,500.0 | \$71,750.0 | \$71,750.0 | -40.0 | \$72,065.0 | \$71,750.0 | 1,200 |
| Copper Futures Jan | \$10,985 | -23 | \$10,970 | \$10,950 | \$10,950 | -23 | \$10,970 | \$10,950 | 2,227 |
| Sugar (LDP Fwd) | \$314.0 | +2.5 | \$315.5 | \$317.8 | \$317.8 | +2.5 | \$318.2 | \$317.8 | 2,227 |
| Barley Futures Jan | \$115.15 | +0.25 | \$105,500.0 | \$112,000.0 | \$112,000.0 | +0.25 | \$112,200.0 | \$112,000.0 | 2,227 |
| Wheat Futures Jan | \$122.50 | -1.50 | \$108.75 | \$126.0 | \$126.0 | -1.50 | \$127.00 | \$126.0 | 2,227 |
| Cotton Outlook A Index | 85.50c | -4.00 | 85.50c | 85.50c | 85.50c | -4.00 | 85.50c | 85.50c | 2,227 |
| Cotton (S4) Super | 440p | -4.78 | 532p | 420p | 420p | -4.78 | 532p | 420p | 2,227 |
| Oil (Brent Stand) | \$18,938 | -0.68 | \$16,70 | \$19,01 | \$19,01 | -0.68 | \$19,01 | \$19,01 | 1,200 |

Per tonne unless otherwise stated. p. Premium, c. Cash to, w. Feb.

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (5 per tonne)

Cash 3 months

Close 1828.5-23.5 1645-44

Previous 1612-19 1633-34

High/low 1644/1627

AM Official 1622-34

Kerb close 1635-40

Open int. N/A

Total daily turnover N/A

■ ALUMINIUM ALLOY (5 per tonne)

Cash 1435-40 1470-75

Previous 1420-30 1460-65

High/low 1460/1470

AM Official 1420-22

Kerb close 1450-70

Open int. N/A

Total daily turnover N/A

■ LEAD (5 per tonne)

Cash 7715-25 7830-40

Previous 7510-20 7830-40

High/low 7830/7850

AM Official 7830-70

Kerb close 7830-10

Open int. N/A

Total daily turnover N/A

■ TIN (5 per tonne)

Cash 1008-10 1022-33

Previous 997-98 1020-20.5

High/low 1020-10.5

AM Official 1001-1.5 1028-23.5

Kerb close 1020-30

Open int. N/A

Total daily turnover N/A

■ COPPER, grade A (5 per tonne)

Cash 2740-45 2855-55

Previous 2755-50 2850-71

High/low 2730/2822

AM Official 2700-35

Kerb close 2549-50

Open int. N/A

Total daily turnover N/A

■ CRUDE OIL NYMEX (20,000 US gallons, \$/barrel)

Latest Day's price change High Low Vol. Int.

Feb 20.21 +0.30 18.91 35,701 53,651

Mar 18.14 +0.22 18.14 32,000 23,000

Apr 18.78 +0.14 18.78 32,000 22,000

May 18.50 +0.14 18.50 32,000 22,000

Jun 18.25 +0.09 18.25 32,000 22,000

Total 100,287,777

■ CRUDE OIL LPE (barrel)

Latest Day's price change High Low Vol. Int.

Feb 18.00 +0.32 18.00 13,752 50,595

Mar 18.50 +0.22 18.50 13,752 50,595

Apr 18.25 +0.12 18.25 13,752 50,595

May 17.47 +0.12 17.47 13,752 50,595

Jun 17.23 +0.11 17.23 13,752 50,595

Jul 17.08 +0.05 17.08 13,752 50,595

Total 100,187,777

■ HEATING OIL NYMEX (2,000 US gallons, \$/US gal.)

Latest Day's price change High Low Vol. Int.

Feb 60.99 +1.02 60.99 50,200 12,000

Mar 57.77 +1.22 57.77 50,200 12,000

Apr 53.99 +0.37 53.99 50,200 12,000

May 51.20 +0.47 51.20 50,200 12,000

Jun 49.05 +0.17 49.05 50,200 12,000

Jul 45.55 +0.12 45.55 50,200 12,000

Total 100,235,677

■ NATURAL GAS NYMEX (10,000 m3/mmbar, \$/MMBtu)

Latest Day's price change High Low Vol. Int.

Feb 52.94 +0.02 52.94 10,000 2,000

Mar 52.77 +0.15 52.77 10,000 2,000

Apr 52.60 +0.22 52.60 10,000 2,000

May 52.43 +0.25 52.43 10,000 2,000

Jun 52.26 +0.28 52.26 10,000 2,000

Jul 52.10 +0.31 52.10 10,000 2,000

Total 100,235,677

■ GAS OIL LPE (\$/barrel)

Latest Day's price change High Low Vol. Int.

Feb 54.00 +0.20 54.00 10,000 2,000

Mar 53.77 +0.23 53.77 10,000 2,000

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Saturday January 6 1996

Fiscal crisis of the state

The US has one, Europeans have one and now even Japan has one. What do they all have? A serious fiscal problem. This is the theme of the decade, one that will shape the rhythm of financial life and form the cacophony of the background sound to political debate in almost every industrial country.

In the US this week, hardline republicans in the House of Representatives warned Mr Robert Rubin, the treasury secretary, that he could face penalties, if not impeachment, should he continue to take extraordinary actions to avoid a default on US public debt. This notion may be difficult to take in the first time. Try again.

Meanwhile, the servants of the world's most powerful country are working unpaid. As Mr Robert Dole, the Senate majority leader caustically remarked, "there are not many rich people working for the federal government; they have mortgages to pay, vacations to plan". Yet even if there were a temporary agreement to keep the government at work, this would not resolve the underlying conflict, let alone deliver a balanced budget. As Mr Stephen Roach of Morgan Stanley argued in the FT this week, "the best we are likely to see is a plan based on back-loaded spending cuts, front-loaded tax cuts, immunity for social security and dubious economic assumptions".

The US provides farce; Europe offers folly. The Maastricht treaty's fiscal criteria are, it appears, to be applied to 1997 data without cyclical adjustment. Consequently, virtually every country is committed to cutting its fiscal deficit, willy nilly.

France looks like a dog chasing its own tail. Mr Alain Juppé's government may have survived the challenge on the streets to its measures to slash the social security deficit. So, on the whole, have the measures. But partly because of the strike, partly because of the fiscal squeeze and partly because of the general slowdown in the European economy, the French economy is expected to expand by 2 per cent or less, between 1995 and 1996. It could be far less.

Missing the target

If growth were to be as slow as many fear, the fiscal measures now in place would probably fail to deliver the target general government deficit, which is 3 per cent of GDP, by 1997. The government would then presumably feel compelled to introduce another restrictive budget, at a time of, at best, stagnation and, at worst, rising unemployment.

Yet France is far from alone in its difficulties. Even Germany is

teetering on the border between success and failure in meeting the Maastricht criteria. If it were to join France, Italy, Spain and most smaller countries in further fiscal tightening, an outright European recession could not be ruled out.

Most surprising of all, even Japan has fallen into a fiscal trap. This is not obvious in the conventionally measured fiscal deficit, which was only 4 per cent of GDP last year, or in the ratio of net financial liabilities to GDP, which was a mere 11 per cent.

Realistic indicator

Yet some estimate that the true fiscal deficit is double the official figure, while the low ratio of net debt reflects an accumulated social security surplus that will run down quite rapidly as the population ages. For this reason the gross debt ratio, already 83 per cent in 1995, may be a rather more realistic indicator of Japan's longer-run debt position.

To this ought to be added at least a part of the bad debts of the banking system. True, strong popular objections to the proposed Y685bn (£4.36bn) bailout of the housing finance institutions, or *jusen*, suggests the Japanese government may not be allowed to provide much of the needed official assistance. Unfortunately, economic recovery would then be hobbled.

Stock markets have shrugged off these fiscal woes. They are probably right to have done so, since most of the economic fundamentals are healthy, notably the ongoing liberalisation, low inflation and dynamism of Asian developing economies.

Yet these fiscal difficulties will not go away. The overall ratio of government spending to GDP in industrial countries stabilised in the early 1980s. It did so, however, at levels that individual governments were unable, or unwilling, to cover by taxation. This was so largely because in each country, at different levels, voters had reached the limit of tolerable taxation. The resulting fiscal deficits, compounded at strongly positive real interest rates, increased the ratio of gross public debt to GDP, from 41 per cent in 1980 to 72 per cent in 1995. Unfunded pension promises ensure there is worse to come almost everywhere.

Governments will be punished if they inflate their way out of their quandary; they will not be permitted to tax their way out, and their economies will probably not grow out of it either. What is left is just to whittle away uneasily at the promises made in an earlier, happier era. No wonder politicians are so unpopular.



Head-to-head combat: Ichiro Ozawa (left) and Ryutaro Hashimoto (right) will fight each other for the premiership following the resignation of Tomiichi Murayama

Fierce follow-the-leader game

The resignation of Japan's prime minister opens the way for warfare between the two most powerful politicians, says William Dawkins

Mr Tomiichi Murayama, Japan's septuagenarian prime minister, yesterday chose a poetic image worthy of a Zen master to bid farewell to the Japanese public.

Gazing into a clear blue sky on new year's morning, the former fishing union official felt inspired, he explained to an astonished nation, to give himself, the government and the people of Japan a fresh start.

Mr Murayama chose yesterday for the public announcement of his resignation. He had earlier informed

Mr Ryutaro Hashimoto, president of the Liberal Democratic party, the dominant partner in Japan's governing three-party coalition, and the most likely candidate to succeed him.

"I was chased by one incident and accident after another," Mr Murayama reflected. He leaves after 18 of the most turbulent months in modern Japanese history - a period which has included an earthquake, an upsurge in urban terrorism and financial and economic disaster.

Mr Murayama was widely expected to step down - though not as early as this - if only because his position had become untenable. He had been criticised for ineffective leadership and was deeply unpopular with his own leftwing Social Democratic party following his acceptance of an invitation, in June 1994, to join an alliance with the arch-enemy, the conservative LDP.

On several occasions recently he had warned the Liberal Democrats he was becoming exhausted. Each time, they persuaded him to stay, conscious of the value of the Social Democratic party's 63 seats in maintaining the 300-seat parliamentary majority.

But this time, Mr Murayama argued that the new year lull, before the start of the next regular parliamentary session on January 22, was a good time to go - and the LDP was unable to stop him.

There will be few policy changes in the wake of Mr Murayama's retirement: the main planks of present policy - high public spending, low interest rates and gentle deregulation, leavened with more assertive foreign diplomacy - were formulated, after all, by the LDP.

But his retirement clears the way for open warfare between the two most powerful men in Japanese politics - Mr Hashimoto, 58, and Mr Ichiro Ozawa, 53, a master strategist who was elected last month as president of the opposition New Frontier party.

The two men have been rivals behind the scenes since their careers started in the late 1960s when both were in former prime minister Kakuei Tanaka's faction of the LDP, modern Japan's greatest political dynasty.

Since then, Mr Ozawa has re-created himself, changing from manipulator of party factions and virtuoso of money politics, into a crusader of reform. Mr Hashimoto, meanwhile, has capitalised on Mr Ozawa's defection from the Liberal Democrats three years ago, to seize the party crown almost uncontested, and to come within close reach of the prime ministership.

For foreign investors and business executives, their rivalry will mark an important stage in Japan's evolution into a more open economy, less obscured by behind-the-scenes bargaining between politicians and bureaucrats. The new government, under attack from the recently promoted Mr Ozawa, may be forced to clarify and justify its hitherto muddy economic and financial policies.

Its weakest point is the unpopular allocation of more than Y685bn (£4.36bn) of public money towards liquidating bankrupt housing loan companies, or *jusen*.

Mr Ozawa is too sensitive to the need not to demolish international credibility in Japan's banking system to block the *jusen* plan entirely. It must be approved by parliament by the end of March.

But the New Frontier president, who has promised to hit the issues hard in parliamentary hearings later this month, will give Mr Hashimoto an especially rough ride in the knowledge that his rival is vulnerable on the subject.

As finance minister from 1989 until 1991, Mr Hashimoto decreed that banks must stop increasing loans to the *jusen*, but permitted agricultural co-operatives to continue lending to them, for what turned out to be excessive property speculation.

That would please senior Japanese businessmen in spite of the instability on financial markets that a budget delay would cause. Their first reaction to Mr Murayama's resignation was to drop their habitual reticence and call for a snap election, in the hope of replacing the three-party alliance of socialists and conservatives with a more coherent alternative.

"It is impossible for a three-party coalition to carry out the kind of structural reforms which Japan needs," says Mr Takashi Imai, president of Nippon Steel, the world's largest steel producer.

Whatever its outcome, the election will mark another step in a tortuous realignment from the old system of one-party LDP rule, towards a two- or three-party system in which policies may be more sensitive to voters' aspirations.

The LDP may well hold nearly as firm a grip over the new system as the old. But thanks to a reform of electoral rules and controls on

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The LDP may well hold nearly as firm a grip over the new system as the old. But thanks to a reform of electoral rules and controls on

party political fund raising passed by Mr Murayama's government, all politicians will be obliged to compete harder for seats on the strength of their policies, rather than through patronage.

The new phase of political turbulence will begin next Thursday when the Murayama cabinet will resign, to prepare the way for a parliamentary vote by all MPs to choose a new prime minister. It is likely, but by no means certain, that Mr Hashimoto, who has the formal support of his party, will win that vote. He yesterday wasted no time in stating his willingness to take on the prime ministership.

Mr Ozawa is widely expected to stand against his old rival.

Militating against Mr Hashimoto's chance of success, is the risk that many members of Mr Murayama's Social Democratic party will defect or abstain in the vote. They never liked the alliance with the Liberal Democrats or Mr Murayama's eagerness to please the LDP by abandoning most of his party's policies. However, the LDP has calculated that Mr Hashimoto might well win enough votes even after defections from the Socialist party.

To compensate for any Socialists' defections, Mr Hashimoto can count on a deepening split in the New Frontier party. The NFP is split between followers of Mr Ozawa and those loyal to Mr Tsutomu Hata, a former prime minister who lost heavily to Mr Ozawa in last month's leadership poll. Some of Mr Hata's followers have indicated that they will abstain in next week's vote.

One thing is clear - both Mr Hashimoto and Mr Ozawa are eager for an early general election, well before the July 1997 deadline. Yesterday's events represent another lurch on Japan's progression to a more modern democracy. It is an erratic process and the destination is still in doubt. But Japan's political realignment, so far tortuously slow, now looks as if it will speed up this year.

STRENGTH OF PARTIES IN LOWER HOUSE OF PARLIAMENT

| Party | Seats |
|---------------------------------------|-------|
| Liberal Democratic party-Liber League | 209 |
| New Frontier party | 170 |
| Social Democratic Party of Japan | 63 |
| New Party Sakigake | 22 |
| Japanese Communist party | 15 |
| Group for Democracy | 6 |
| Alliance of Democratic Reformers | 3 |
| Independents Club | 2 |
| Independents | 7 |
| Total number of incumbent members | 497 |

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'finc'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Implications of Internet access decision

From Mr Christopher J. Airey, Sir. As both a subscriber to Compuserve and an Internet user, I was very interested in Compuserve's decision to deny access to some parts of the Net to its subscribers ("Internet groups are suspended over porn concerns", December 29).

It may be that it was a commercial decision, taken so as not to lose subscribers. However, I fear that, in acceding to the pressure that it came under, it may in the long run have made a serious

mistake. The decision it has made implies that it may be liable for the material published on the sites by other people, who it most certainly has no control over, unlike within its own service where.

It appears, therefore, that it believes that its own responsibility may be that of the newspaper publisher responsible for the content of the paper rather than that of the telephone company which is not, in the UK at least, sued by people who receive obscene

calls or for allowing access over its wires to the many dubious telephone services that are available all over Europe and America.

Conceding that point could cost service providers dear if ever a case came to court.

Christopher J. Airey, Little Newars, Newark Road, Good Easter, Essex CM1 4SA, UK

'Correct' value is the offer that cannot be refused

From Mr John Cahillane, Sir. Re Samuel Brittan's column "Glad tidings of dead joy" (December 16/17), and Mr Tjeerd de Vries's subsequent letter (December 30/31). I have a painting which I bought 18 months ago in Peru for \$1,100. I like it very much but I try to preserve it by only stealing glances at it on weekdays.

If I were offered \$2,000 for it I would not accept; at \$20,000 I probably (now) would not; at \$200,000 I would. My only information as to its value to anyone else is the price at which it was offered for sale.

I wonder what is the "correct" value of the painting to me, or to you, and whether the methodology for deciding this applies also to, say, potatoes or tortillas?

John Cahillane, 1210 Corcoran Street NW, Washington DC 20008, US

Arts centre better than opera house for elite

From Professor Kevin Morgan, Sir. You rightly made the point ("In praise of elitism", December 27) that access to cultural amenities is a more important determinant of industrial location than access to mineral deposits. You also rightly suggest that regional policymakers in the UK hadly made a shot at the "vision thing" by recognising that cultural projects are every bit as important to regional regeneration as new roads and bridges.

That in turn was largely due to

the successful economic policies of Friedrich List, who was not only the architect of the German customs union (zollverein) but a passionate opponent of Adam Smith and laissez faire economics. List is therefore not so well known in England as he is in Bonn, Seoul, Osaka and Tokyo! Whereas the Anglo-American traditions emphasise levels of consumption as an ultimate measure of progress, List argued that a country's wealth

is mainly determined by what society can *make* rather than what it can *buy*. To that end his support for free trade was heavily qualified by sustained governmental intervention.

So this rather separates the Anglo-American tradition from what has been German-Asian practice. Certainly there are aspects of the new Asian success that fall short of British ministerial and parliamentary standards.

Tradition that separates German and Anglo-American economic practice

From Mr Des McConaghay, Sir. Judy Dempsey blames Bismarck for Germany's high-cost social welfare system ("Employers count the cost of Bismarck's welfare legacy", December 29). That is only half the story. And while Bismarck did want to beat back the Social Democrats the urgency of his reforms was actually dictated by the phenomenal growth of the German economy.

That in turn was largely due to

THE BIG STORIES ABOUT THE SMALL PRINT



This week's Investors Chronicle comes with a 24-page special report to help you spot the hidden costs and pitfalls of even the safest looking investment products. Entitled 'Savings Traps', this essential guide provides a detailed look at what the banks, building societies, investment groups, insurance companies and brokers are really up to.

The fourth edition of our most sought-after report tells the inside story about popular investment and savings schemes - from deposit accounts to mortgages and Peps to

pensions. We put the spotlight on investments and institutions you should treat with caution. And we place glossy brochures, sales literature and the small print under the microscope.

To avoid counting the cost of your savings in the future, you could wisely make a risk-free investment now.

The latest issue of Investors Chronicle - complete with 'Savings Traps' is on sale from 5th January 1996 from your local newsagent. Price £2.00.

INVESTORS CHRONICLE
THE CITY INSIDE OUT

COMMENT & ANALYSIS

Man in the News · John Kemp-Welch

Epitome of a true insider

John Gapper on the discreet but ruthless Stock Exchange chairman

When Mr John Kemp-Welch joined the eminent stockbroking firm of Cazenove & Co in 1988, he received a note of welcome from one of the younger partners. "I have always enjoyed my short time here and the atmosphere, at times electric, is normally the best of fun," the partner wrote.

In Mr Kemp-Welch's latest job, the atmosphere has also been electric, but rather less fun. As chairman of the London Stock Exchange, he not only coordinated the abrupt dismissal of the chief executive, Mr Michael Lawrence, on Thursday morning. He also had to explain why he had been so ruthless.

Mr Kemp-Welch, used to operating in the discreet environments of Cazenove for most of his working life, looked like a mole who had been dragged blinding into the light as he set about the task at a press conference. He caused bemusement among some reporters by sticking doggedly to his prepared text.

Appointed a year ago after retiring as joint senior partner of Cazenove, Mr Kemp-Welch was not naturally suited to dispelling the suspicion that Mr Lawrence had fallen victim to an old boys' club. With his pinstriped suit and short back and sides, he appears an archetypal City financier.

The manner of Mr Lawrence's departure provided plenty of material for conspiracy theorists. He was dismissed shortly after several of the largest City investment banks rebelled against the way in which he was implementing

reforms. He has indicated since that the City's forces of reaction were at work.

Mr Kemp-Welch seems an ideal candidate for leader of a City version of the "men in grey suits" who used to dispose of the Conservative party's unwanted leaders. His father was also a Cazenove partner, and he has worked in the City ever since leaving Winchester, the boys' public school.

He also displays many of the qualities of an establishment figure, combining charm with self-confidence and decisiveness. At Cazenove, he instituted reforms to the most pukka of brokers without spoiling its air of discretion and exclusivity in the City.

Those who worked with him at Cazenove admired the manner in which Mr Kemp-Welch retained the qualities of a partnership while introducing management disciplines. He slowly transformed the firm into a shape that would survive its sacrifice of its old virtues.

Mr Kemp-Welch showed the brisk side of his character in dismissing Mr Lawrence on Thursday. After consulting members of the exchange's board, he called Mr Lawrence to a meeting, and set him a deadline of half an hour to resign. Even with the help of

lawyers, Mr Lawrence was out within three hours.

He explained that it would have been worse for Mr Lawrence if he had been less decisive. "My experience in cases like this is that it is better there is a clean break," he said. To allow Mr Lawrence to work notice would have been "a recipe for indecision and lack of leadership".

Mr Lawrence had not made himself popular with many of the exchange's 350 members, sometimes introducing changes without bothering to consult them first. He saw it as unavoidable if he was to get things done rapidly. But many firms thought they deserved more attention as the exchange's owners.

Some City firms argue that Mr Lawrence should have seen what was coming, and his insensitivity blinded him to the degree of discomfort he was causing. Yet some government officials were disconcerted by the suddenness of the move, saying that Mr Lawrence deserved more warning.

Such rapid and unwise action is characteristic of Mr Kemp-Welch. Those who have worked with him say his views are often hard to discern. "He is totally opaque," comments

one former colleague, who says that Mr Kemp-Welch tends to follow written notes in meetings, and is uneasy about giving away his personal views.

Some ascribe to Mr Kemp-Welch's scrupulous sense of fairness. "He has exceedingly good judgment, and he thinks things through without rushing into them," says one colleague. "He will always listen carefully to an argument and make a decision without any prejudice to one side or another."

Yet before that decision is made, he remains sphinx-like. One reason is physical: he lost an eye at the age of six, which has left him with a slight squint and makes him difficult to read.

Whatever the rights and wrongs of this week's events, some City firms argue that Mr Kemp-Welch now faces the task of acting as a temporary chief executive before a replacement is found. This may not be an appetising prospect, even leaving aside the glare of the publicity which he could avoid at Cazenove.

One broker says he was surprised that Mr Kemp-Welch took the job of chairman in the first place. "If I had quite a high profile at Cazenove and was 57 years old, that is not the way I would like to see my days out," he says, arguing

that the task needs someone younger with plenty of energy.

Part of the problem is that it has become less clear what the chairman of the exchange should do. The exchange used to be run by a council led by its chairman, who interpreted its views as he saw fit. But under Sir Andrew Hugh Smith, Mr Kemp-Welch's predecessor, the structure changed.

The exchange now has a board representing members, and a more powerful executive led by a chief executive. Given the breadth of membership from the largest investment banks to small regional stockbrokers, there is immense potential for conflict between owners and executive directors.

Mr Lawrence put some members' noses out of joint by pushing to the limits the powers of the chief executive. Some members complained that by chairing various policy committees, he in effect blocked an important channel through which they could exercise an overview.

One broker says that Mr Kemp-Welch will now have to come up with a fresh way of acting as both chairman and de facto chief executive while they search for a replacement for Mr Lawrence. He said on Thursday that a chief executive should both

"formulate and drive through strategy" and "win the confidence of member firms" and get their approval for strategy.

That would be a tough task at the best of times, but it is becoming more so as the exchange faces critical debates on the methods of share trading in London. In practice, Mr Kemp-Welch will be forced to perform the job according to his own specifications while many if not all of the decisions on this are taken.

One member says there is inevitably a gap between the views of an ambitious chief executive, and members. "There are 1,100 people and it costs £17m a year to run. As a member, I find that unacceptable, but if you are an executive, you have a motive to expand services and costs," he says.

One broker says that Mr Kemp-Welch's awkwardness at having to operate under the public gaze does not indicate the challenge is beyond him. "He is clearly not terribly good at the public role, but just because he finds it hard to operate in the limelight does not mean he is ineffective," he says.

However Mr Kemp-Welch manages the task over the next few months, it is unlikely to bring him as much joy as working at Cazenove. Yet the general City consensus is that he has as good a chance as any of achieving harmony at the exchange. He not only has the experience of running Cazenove, but the contacts of the true insider. But he must now justify his treatment of Mr Lawrence by showing that he can do better.



Samuel Brittan

Christmas teaser sows confusion

Do you benefit from a rise in the price of wine in your cellar? The answer is not that obvious

I was besieged by interesting letters after my column of Saturday December 16, when I reported an experiment – involving the theoretical gift of a bottle of wine – to test popular economic beliefs ("Glad tidings of dear joy"). Perhaps it was the season, but the topic obviously attracted more attention than the Bank of England's inflation forecasts.

Readers of a newsletter were asked the question: "Suppose you bought a case of good 1982 Bordeaux for \$20 [a bottle] and it now sells for \$75. You give a bottle to a friend. Which of the following best captures your feeling of the cost to you as a gift?"

The correct economic answer was meant to be \$75. For it will now cost you \$75 to replace the wine you give to a friend.

This answer was one of five options given to the newsletter's readers. But only a minority accepted it. The other options ranged from "Nothing, I paid for the bottle already" to a gain of \$55 – "I only paid \$20 for a \$75 gift". The majority of responses were for these other answers, with zero cost coming out on top.

I was reluctant to leave the matter there and threw open the question to FT readers with the encirclement of a copy of my last book, *Capitalism with Human Face*, for the best comments. I was mildly surprised by the number of wine connoisseurs who insisted that they could drink without cost. They said that when they bought the wine it was an investment and when they drank it "they had it there". They obviously believed that, even if there is no free lunch, there is such a thing as a free bottle of wine.

Many readers showed knowledge of the practicalities of wine trading and the time and effort required to sell individual bottles. They would, however, have to know the academic world to appreciate that the questioner probably had in mind a perfect market, in which any bottle of wine could be bought or sold at a single established price.

The most comprehensive analysis

came from an architect, Nathan Silver, who receives my first prize. He listed the different kinds of "logic":

Existential logic. A feeling that certain continually descend on the past – "this is the first day of the rest of my life". So the wine is already there and I pay nothing more. "In its existential way this is unassimilable."

Legal logic. "The cost is \$20, the amount I paid for it." This is the familiar presumption encountered in law, where changing market values are often ignored.

Meditated logic. "Twenty dollars plus interest." It might dawn on an arbitrator that some account should be taken of the increased market value of \$75, but the two ideas come together. But take another example: a machine that has become obsolescent. The only economic cost to the owner of parting with it is its scrap value. Hence the saying "Bygones are forever bygones".

I received some excellent explications of the principles of replacement cost accounting. But these are of no use when replacement does not make sense.

I was surprised by the number of wine

connoisseurs who insist they can drink without cost. Some go so far as to believe that, even if there is no free lunch, there is such a thing as a free bottle of wine

I have to admit, however, that the greatest personal value of the correspondence came from the further stimulus to my own thinking. My biggest worry with the supposedly correct answer was how a piece of good luck, such as a large increase in the market value of one's wine, could appear to impose a cost.

The answer is, surely, that two events have happened. The increase in the value of the wine *may have* made me wealthier. Indeed, if we assume that it is a case of six bottles, it may have made me better off by \$350 (\$450 minus \$100) minus interest.

The cost of giving the bottle to a friend is still \$75 in terms of the opportunities forgone – whether in terms of selling the wine or drinking it oneself. On the other hand I may be in a better position to make a more expensive present.

Why is it that I only "may" be wealthier? I will be if it is a one-off purchase of a case. But take the example of a person who has purchased for \$20 wine that he happens to like very much, as well as wanting to give to friends. The rise in price could then reduce his wealth. For he will want to make repeat purchases of the very same wine, which will make larger inroads on his lifetime income – unless of course the wine falls back in price.

Even in the case of the single purchase, to become better off – other than in a gloating sense – the owner would either have to sell his asset or at least borrow on its strength. Such

market transactions are much more likely in the instance of a house than of a case of wine. A homeowner whose property has doubled in value can rationally borrow more to finance a higher standard of living (equity withdrawal). Moreover, even if he is content merely to live in his home, the knowledge that he could, if necessary, trade down and buy more goods than he could before increases his range of possibilities.

In the example of wine, none of these possibilities is very realistic unless the person concerned is a professional wine dealer. Conventional economic logic can show that – given stable tastes and a constant amount of altruism – he would be better advised to drink more bottles himself and give fewer away.

I cannot resist offering a consolation prize to a retired civil servant, A.T. Aitchison, who said that my problem reminded him of a recent Whitehall conundrum: what do two and two make? It depends whom you ask. The statistician will say that 99.9 per cent of the time it makes four. The economist's view depends on his doctrinal persuasion. The Treasury official will, however, ask: "What figure did you have in mind for an answer, minister?"

There is one more prize. This is to Harvey Cole, who asked about the economics of the prize. He assumed that the cost to me was zero, so long as stocks of my book were not exhausted and that, indeed, I derived a positive benefit from promotion. This would have been perfectly correct had I been my own publisher. But he must know that, however low the marginal cost of copies, publishers do charge authors for promotional copies over and above a certain free ration, long ago exhausted.

Finally, if any reader seriously wants to explore both the content and the limitations of the underlying arguments, I would recommend a book entitled *The Theory of Choice* by S.H. Hays and others (Blackwell, 1994). The equations are mostly segregated in boxes for the attention of the conscientious. But do not expect this book or anything like it to make any of your wine-buying decisions for you.

Opera houses hit a sour note

Managers are engaged in a balancing act, says Antony Thorncroft

Yesterdays return to Covent Garden, and its future is in doubt.

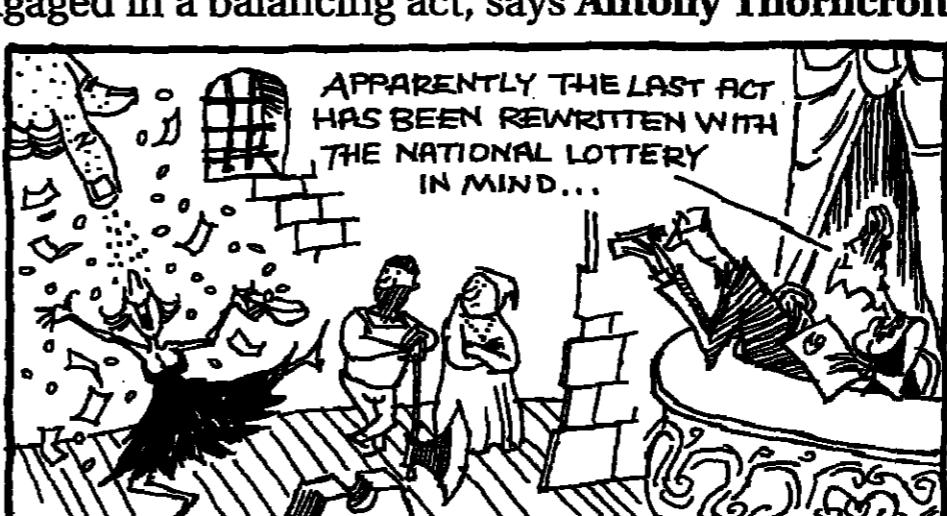
Such setbacks are not confined to Covent Garden. Big challenges confront most of the nation's opera companies. Perhaps the bleakest prospects are at Welsh National Opera, which last month saw its bid for £20m of lottery money to build a much-needed new opera house at Cardiff Bay turned down.

Scottish Opera faces the break-up of its orchestra as a full-time ensemble because of financial problems, while Opera North in Leeds risks losing its highly esteemed music director, Mr Paul Daniel, to the English National Opera.

The ENO, in its turn, has had no music director since the abrupt departure of Ms Siân Edwards in November. And, on top of an accumulated deficit of more than £3m, it faces an agonising choice of whether to stay put at the crumbling Coliseum in central London or seek a future in a new purpose-built home, which is mainly designed to modernise its archaic backstage working conditions.

Such vast sums are an easy target for those who maintain that opera is an elitist art form. Setting seat prices for tenor Luciano Pavarotti at £275 does little to dispel the illusion that the lottery pounds of the poor are subsidising the pleasures of the wealthy.

Mr Isaacs devotes much of his time to countering such canards, pointing out that Covent Garden's international



works, such as the recent production of *Hindemith's Mathis der Maler*. He can also find support in the public appetite for opera and dance: audiences at Covent Garden top 90 per cent of capacity, and on December 28 the seasonal favourite, *Tales of Beatrix Potter*, was sold out.

It is, however, a precarious financial balancing act. Mr Isaacs is committed to closing the opera house for redevelopment in the summer of next year. At the time of his retirement, his successor will reopen a refurbished building with a second auditorium, new backstage facilities and a home for the Royal Ballet in the autumn of 1999 – in time for the millennium. The Arts Council is prepared to put up the lottery money to keep the dance company, the opera chorus and the orchestra together during the closure, but only if Covent Garden can come up with a viable commercial plan.

Mr Isaacs still hopes that GLE will find a possible successor tenant for the Tower Bridge Theatre. The first choice, the Disney Corporation, wants more time to consider. In the meantime Mr Isaacs must start planning a possible schedule which would include UK and foreign touring, performances at the Royal Albert Hall in Kensington, and limited seasons in unsatisfactory London theatres.

He holds two aces. Neither the government nor the Arts Council can envisage Covent Garden closing down the loss of national prestige would be too great. He also has the continued support of Lord Sainsbury and Mrs Vivien Duffield, who have pledged considerable sums, believed to be about £20m each, towards the £78.5m that Covent Garden needs to be sure of lottery funding for the new opera house. These are advantages that the directors of the UK's other opera companies can only view with envy.

MARKETS REPORT

Dollar stalls

By Philip Gash

and at DM1.4375 from DM1.4565. In a reversal of the pattern of the previous few day's trading, the D-Mark was the beneficiary of the dollar's weakness. In Italy uncertainty about the composition of the government saw the lira fall to L1,099, from L1,090, while the French franc also slipped back, to FF13,426, from FF13,415.

The dollar's retreat started late on Thursday when the heightened rhetoric of the budget dispute, including Republi- can threats to try and impeach Mr Robert Rubin, the treasury secretary, unsettled the dollar and US bond market.

Most of the correction took place overnight, and the dollar was fairly stable during European trading. Traders said that market volumes were very heavy.

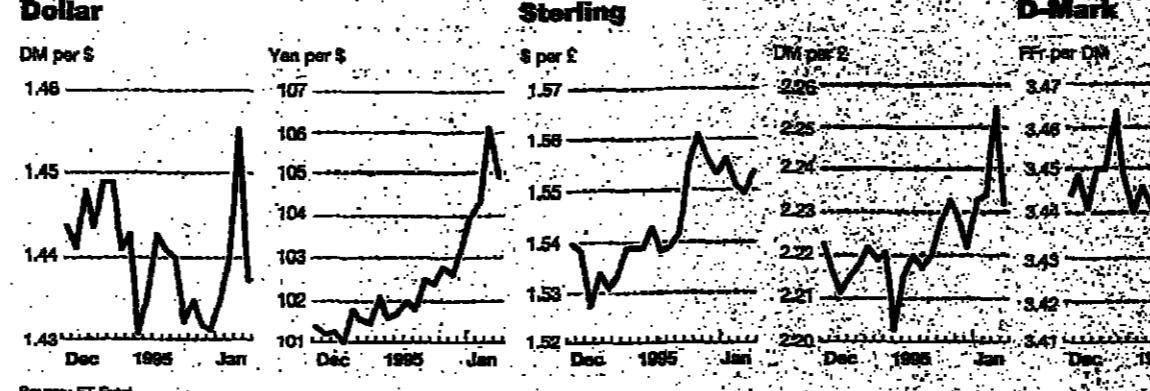
The uncertainty was enough to prompt some profit-taking on the part of those longer term investors who were expecting a sustained dollar rally. It closed weaker in London at £1.04.885, from £1.04.15.

■ New Year dollar rallies look forever fated to fall victim to the unexpected: back in 1994, an escalating trade dispute

weighted index closing at 83.5, from 84.0. It lost more than two pence to finish at DM2.231, from DM2.262.

He said the uncertainty had caused some dollar bulls to li-

CURRENCIES AND MONEY



Source: FT Est.

WORLD INTEREST RATES

| January 5 | Over night | One month | Three months | Six months | One year | Lomb. Int. | | Dis. rate | Repo rate |
|-------------|------------|-----------|--------------|------------|----------|------------|-----|-----------|-----------|
| | | | | | | 12m | 18m | | |
| Belgium | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3.00 | - |
| week ago | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3.00 | - |
| France | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4.45 | 5.05 |
| week ago | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4.45 | 5.05 |
| Germany | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3.00 | 3.75 |
| week ago | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3.00 | 3.75 |
| Ireland | 5% | 5% | 5% | 5% | 5% | 5% | 5% | - | 6.25 |
| week ago | 5% | 5% | 5% | 5% | 5% | 5% | 5% | - | 6.25 |
| Italy | 10% | 10% | 10% | 10% | 10% | 10% | 10% | - | 10.45 |
| week ago | 10% | 10% | 10% | 10% | 10% | 10% | 10% | - | 10.50 |
| Netherlands | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 3.00 | 3.40 |
| week ago | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 3.00 | 3.40 |
| Switzerland | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1.50 | - |
| week ago | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1.50 | - |
| US | 5% | 5% | 5% | 5% | 5% | 5% | 5% | - | 5.55 |
| week ago | 5% | 5% | 5% | 5% | 5% | 5% | 5% | - | 5.55 |
| Japan | 4% | 4% | 4% | 4% | 4% | 4% | 4% | - | 4.50 |
| week ago | 4% | 4% | 4% | 4% | 4% | 4% | 4% | - | 4.50 |

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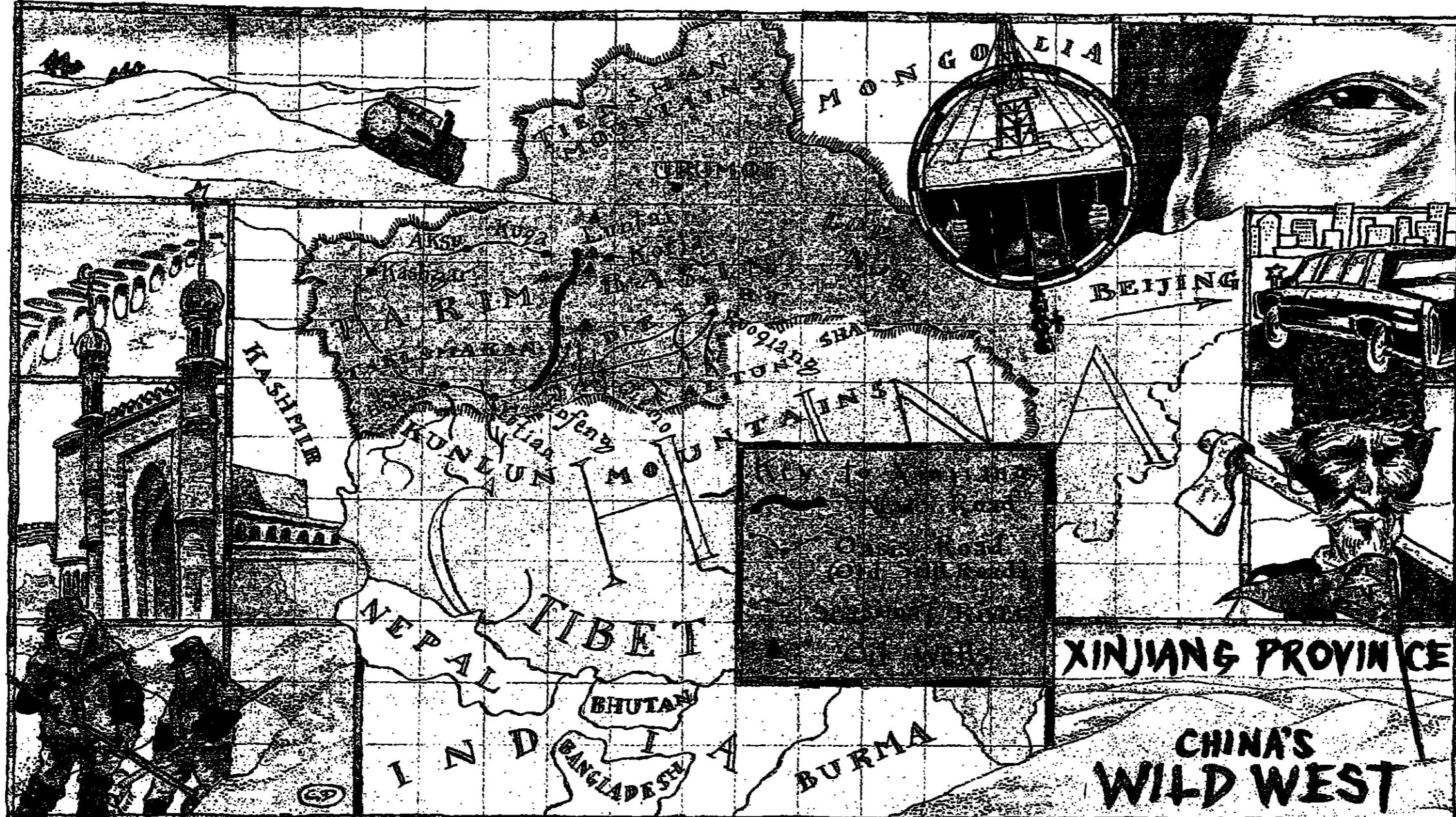
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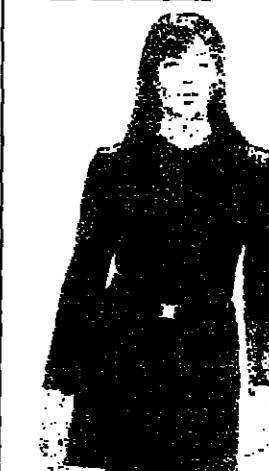
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Weekend FT



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The red flag in China's wild west

Christian Tyler braves the harshest of conditions to witness the economic development of the remote Xinjiang province

Out in the middle of the desert, five days march from the nearest habitation, there was nothing to be seen: not a bird, not a fly, not a twig or a stone - just a petrified ocean of sculpted sand dunes, pale as death, stretching soundlessly to the horizon.

But suddenly there appeared among the frozen billows, at the foot of a dune where our camel train had halted and almost obliterated by the desert wind, the marks of heavy-duty tyres. Further on, somebody had planted a red flag in the yellow-grey sand.

"Oil prospectors," said the camel driver.

This is one of the loneliest places on earth, an empty space in China's wild west province of

Xinjiang. Protected by soaring mountain ranges on three sides and cut off from the east by the black pebbles of the Gobi, it has been shunned for centuries because of its evil reputation - the fearful *karakorum*, or spring sandstorm which turns the sky black, and temperatures that swing from over 50°C in summer to minus 50°C in winter.

Not until the arrival of the Swedish explorer Sven Hedin a century ago did any man dare to penetrate the Taklamakan - and he nearly died on his first attempt.

Nor, until a British-Chinese expedition two years ago, had anybody travelled the entire 1,000km from side to side. These days a few hardy groups of tourists are making forays into the sands.

The marker, a simple cane with a red flag, stood as a symbol of China's determination to exploit its newest dominion and last frontier. Hitherto treated as a military buffer zone against Soviet power, a test site for nuclear weapons and a dumping ground for political opponents - the equivalent of Russia's Siberia - Xinjiang has been caught up in the hectic economic development which some forecasters say will make China the dominant economy of the next century.

But development has its price. Not only is it expensive to build roads and railways over terrible terrain but the native population is becoming angry. In China's wild west, the unhappy part of the Red Indians has fallen to the indigenous Uighurs, Moslem people of Turkic descent and Caucasian appearance who inhabited

the oasis towns and villages round the desert's edge long before the Manchu armies arrived in the 18th century.

The Uighurs complain of economic apartheid. They say the benefits of progress are going largely to the immigrant Chinese, the profits of agricultural and mineral exploitation are appropriated by Beijing and their culture and rights stripped from them. "We feel completely powerless," said a young Uighur in Urumqi, the provincial capital.

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Most of the Tarim Basin wells are located on the northern edge of the desert, where the town of Koria is being developed as the principal refinery and transport terminus. But six-wheeler trucks continue to plunge into the desert, defying the dreadful conditions. "We have had to redesign all our air filters for the desert," said a Mercedes-Benz engineer in Kucha, "and Caterpillar (the US earthmoving

equipment manufacturer) broke the first crankshaft in its history."

Now there are oil derricks in the very heart of the desert, pumping from a new field called Tazhong, 500km from Koria. The prospectors' mobile dormitories can be seen in torn huddles at the furthest reaches of rivers fitfully fed by the glaciers of the Kunlun mountains to the south.

The most impressive example of China's determination to conquer the wilderness is the desert road now being completed from Luntai in the north to Minfeng (formerly Niya) in

the south, slicing the Taklamakan in half. A carriage way has been blasted through 350km of mountainous dunes; Alpine snow-prevention technology has been adapted to keep the fine sand at bay. The road is inhabited along its length by imported labourers - possibly prisoners - who sweep the surfaces and maintain the artificial barriers on either side.

The desert highway will bring economic progress - not to mention greater political control - to the undeveloped

Continued on Page II

Joe Rogaly



The big EU squeeze

The government's future? The answer lies in orange juice

Enough I am as pro-European as the next woolly liberal, but when the European Union messes about with my morning orange juice, watch out commissioners. Someone must be defenestrated. We avengers will strike soon... You might expect such irascibility to lead me to cross the floor, to join the Eurosceptics, but I am hot and bothered, not mad.

The explanation is simple. Britain is apparently the world leader in marketing freshly-squeezed orange juice. Its distribution network, plus refrigerated lorries, is ideal for this branch of the just-in-time food industry. The squeezers import Late Valencia, the best for saleable juice, from wherever the fruit is cheapest at a particular time of year. Now they have been asked to pay a 20 per cent tariff if the oranges are not grown in Spain or Portugal or another EU country. Spain is the last place you would go for Late Valencias.

Unless granted a dispensation, this impost could distort an otherwise useful trade. I once sat next to an orange juice dealer on a flight to Madrid. He was off to set up a buying operation for Super Mega-foods, or some such corporation - anyhow, he said it sold one twentieth of all oranges bought in the US.

That is some spaghetti. It makes lottery money look like the confetti it is. He told how orange futures worked better than pork bellies. You might buy Florida one moment. Brazil the next. Mexico or north Africa the following week.

Mr Super Mega-food was moving the raw material for frozen juice, or concentrates, the pasteurised glob we had to drink before the freshly-pressed delight came in. That is what most Americans still swallow. In truth, no orange juice dispensing system works better than keeping the divine fluid in oranges and squeezing it out immediately before serving, but who has the time? Britain's refrigerated, unadulterated, almost-fresh nectar is next best. Since we remain members of the EU, we are likely to be asked to pay more for every sip.

Or perhaps not. The European Commission, I was told when I called Brussels, recognises that Britain has a special position here. It is in the midst of an internal debate about whether to allow UK squeezers of fresh juice to import a specified quota of non-EU oranges at a low price. They are having a meeting about it next week. The supermarket shelves will tell us what happens.

Sensible folk like you and I will at once perceive the lesson to be learned. It is not,

repeat not, to go all sulky and say that Britain should leave the EU. It is, rather, to determine that the tariff regime imposed quite legally under the world trade rules agreed in the Uruguay Round is liberalised at every opportunity.

Dispensations, special quotas, five-year delays, lower support prices, trade-offs, bar-gains, free access for Polish wheat - little by little the per-

sonal stands the prime minister, his heels dug in, cutting a deep scar in the earth as he is dragged ever closer to renouncing the single currency, or, indeed, any further evolution of the union itself.

The natural inclination on

the continent is to wait for

Britain to make up its mind

his continuation in office is threatened by a vote of no confidence. Both sides have stressed that there is no deal, covert or otherwise. The Conservatives will continue with their present stance in Northern Ireland; the unionists will keep the government in power while they see an advantage to themselves in doing so. It is an agreement about power, not principle.

As such, it is naturally pre-

cious. The possibility that

the government will fall during 1996 is stronger than it

was before Christmas. But

that is not the issue. What

should bother ministers with a

decent sense of public duty is

whether their government is

doing its job properly.

On Europe and Northern

Ireland it may not be able to

for many more months.

Against that, Kenneth Clarke's management of the economy remains sound. Remarkably, the chancellor has not panicked. The tax changes in his recent budget were small; his approach to reducing interest rates has been circumspect. We shall see if that lasts.

If it does not Mr Major should step down, and take his government with him. If Mr Clarke's nerve holds, watch Ulster and the EU. They - and the price of orange juice - could determine whether, and when, the end has come.

COLNAGHI

ESTABLISHED 1742

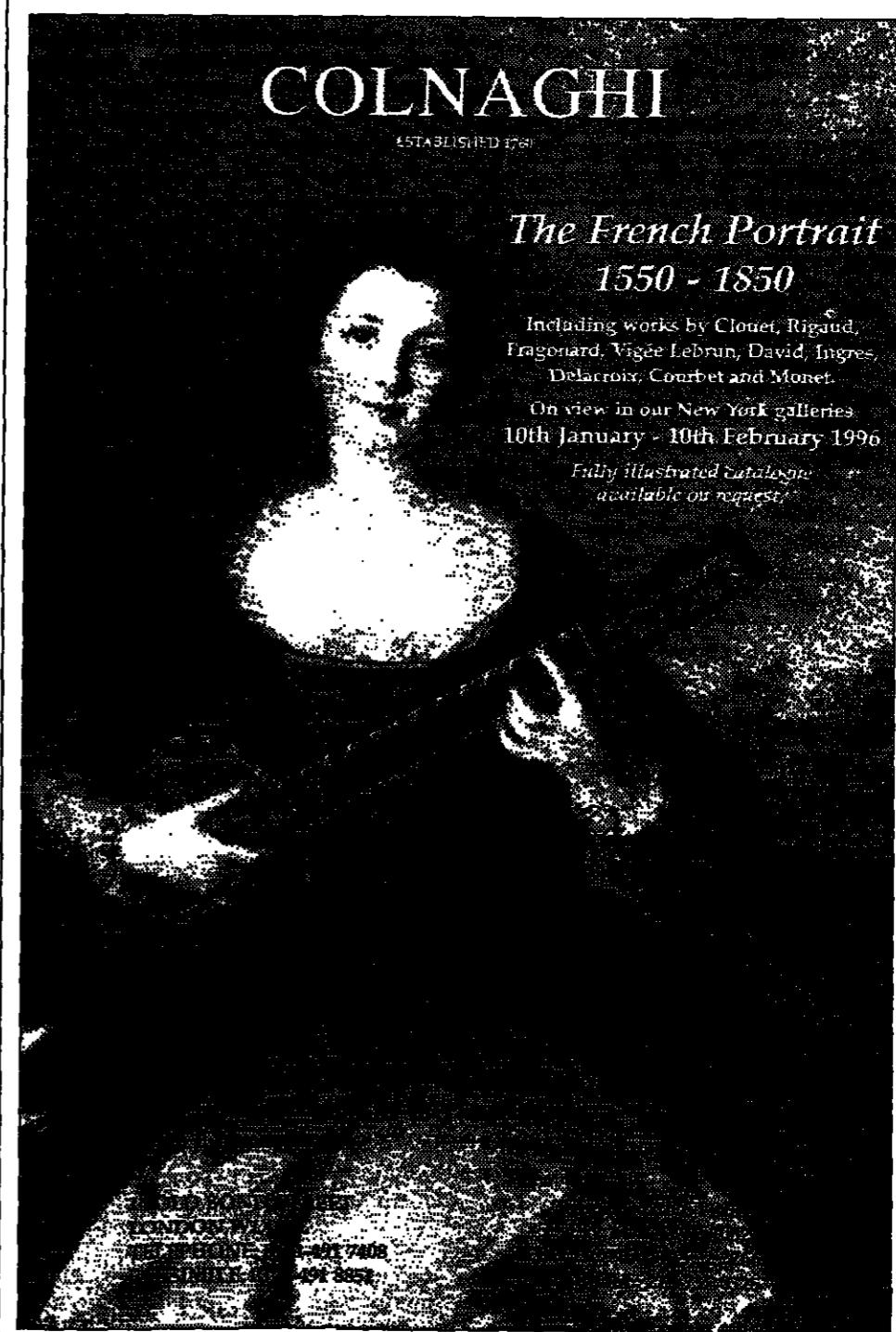
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PERSPECTIVES

The scare about whether humans can be infected with bovine spongiform encephalopathy - mad cow disease - brings new theory of disease transmission to the scientific stage. Prion theory revises the idea, laid to rest by Louis Pasteur over 100 years ago, that the agents of infectious diseases can be generated spontaneously.

Prion diseases include Creutzfeld-Jakob disease which affects man, the sheep disease scrapie and BSE. All cause degeneration of the brain. The essential event of the disease is the conversion of a natural chemical called prion protein (PrP) which occurs on the surface of all nerve cells and which is broken down and resynthesised continuously throughout life, into a form resistant to the enzymes that normally process it. The enzyme-resistant form of prion protein, known as PrP-Sc, builds up inside cells, killing them and causing extensive degeneration of the brain.

The novel theory, proposed about 10 years ago, is that the agent con-

Why I will continue to enjoy beef steak

The big question is whether the species barrier prevents humans being infected with mad cow disease

verting normal prion protein into PrP-Sc is simply PrP-Sc itself. Infection occurs when prion protein from a diseased brain is transferred into a healthy brain. As the disease takes hold, the host prion protein that has been converted into the diseased form triggers further conversion. Contaminated human hormones prepared from the brains of cadavers have been identified as a cause of CJD, says Charles Weissmann, of Zurich University.

Prion theory explains rather neatly why prion diseases do not transfer easily between species and why, once the disease has crossed the species barrier, it is easily transmitted between different members of the same species. The prion pro-

tains of different species differ in their amino acid sequences. This hinders the interaction that produces PrP-Sc in the host. But once the interaction has occurred, the resulting PrP-Sc is characteristic of the host, not of the donor.

Weissmann says that it takes a long time for material from mice with scrapie to cause the disease in hamsters, and vice versa. However material from hamsters with scrapie infects other hamsters quickly, whether the original source of the scrapie was mice or hamsters. Moreover, mice genetically engineered so that their brain cells produce hamster prion protein are easily infected by hamsters and mice engineered to produce no prion at all

are immune to scrapie. The big question is whether the species barrier prevents humans being infected with BSE. There is no indication that this has happened, but it is difficult to prove that it never could. Two pieces of evidence are reassuring, although not conclusive.

First, according to Jeffrey Almond, of Reading University, humans seem not to be susceptible to sheep scrapie (thought to be the original cause of BSE) in spite of widespread consumption of infected animals. Second, experiments by John Collinge and colleagues at Imperial College School of Medicine show that mice with the human PrP gene can catch human prion dis-

eases, which normal mice cannot. But these mice, which also have the normal mouse PrP gene, are no more susceptible to BSE than normal mice, and when they are infected with BSE they make mouse PrP-Sc and not the human form.

Experiments now under way with mice that have the human PrP gene but not the mouse PrP gene should give a clearer result, because if the species barrier between cows and humans is impermeable these mice should be immune to BSE. However it could be two years before they die from natural causes and allow the experiment to be completed.

The difference between the normal prion protein and the enzyme-resistant form is simply the way the

molecule is folded. Proteins consist of long chains of amino acids, and the way the chain folds determines the properties of the molecule. According to Rosalind Ridley, of Cambridge University, most scientists believe that the conversion from PrP to PrP-Sc, which triggers the disease, can occur spontaneously. About 80 per cent of cases of CJD in humans appear to be spontaneous.

Some scientists do not believe

that PrP-Sc is the only agent of infection in prion diseases. Chris Bostock of the Institute for Animal Welfare in Compton points out that there are "at least 20 different strains of scrapie" characterised by differences in the survival time and

Minding Your Own Business

Happy to be making sixpence many times over

Clive Fewins meets a growing props company which hopes to have fun along with success

Chris Dann and Martin Blake still get a sick feeling in their stomachs when they drive past the poster site at the junction of Cromwell Road and Warwick Road, west Kensington, London.

It is known in the advertising industry as the nation's most expensive site of its kind, and it is there that they made their biggest loss.

In 1991, a 20ft high imitation bottle of Martell cognac stood on the site for three months, the product of their 14-strong team of Cricklewood-based prop makers.

Together with the design, transport and erection costs, the project was an £18,000 undertaking. But because the intermediary through whom they received the commission went broke in the middle of the contract, Propshop eventually recouped less than £5,000 of the outlay.

"It was marvellous to be so visible at such a high profile site. Thousands of motorists who drove past must remember the huge bottle, but it could not have been a worse time to lose so much money," said 33-year-old Blake.

"It came in the course of a year when a number of advertising agencies who had regularly employed us to produce props were feeling the recession.

"Total had debts that year were £26,000. By contrast, when we receive the final figures for the year ended in July we expect turnover to have topped £2m - more than twice as much as in 1991-2 - while we know bad debts have totalled just £73."

The 1991 story also had a happy ending. Dann and Blake still made a profit at the end of the year - as they have done in all the nine years Propshop has been trading.

The road to success, however, has been littered with problems.

There was the occasion when the police caught up with Dann on the motorway in Hertfordshire. They pointed out that a faulty back door on his van had meant that three of the four artificial palm trees he was transporting to Harrogate had fallen on the carriageway between Cricklewood and Watford.

On another occasion a float created for Nuclear Electric, to be used in the 1993 Lord Mayor's Show in London, hit a railway bridge in Spi-

Designing and making props for large stores has been the fastest-expanding side of the business

conferees and Blake had trained as a window dresser. The pair took a £30-a-week, 350 sq ft space in a printing works on part of the site they now occupy. Formerly, the site was a horse-drawn bus depot and a hall-bearining factory in Oaklands Road, Cricklewood.

The two worked as self-employed colleagues until August 1991, when they decided to turn Propshop, the name they had unofficially adopted, into a limited company employing the seven painters and carpenters who had been working with them for the previous four years.

Success was swift. Propshop found work as varied as arranging Arabian evenings in hotels in Hampshire to marbling display areas in Selfridges store in Oxford Street, London.

"We took the view - we still do - that it was better to keep our workshop busy and make sixpence many times over than to concentrate on just a few lucrative launches and special events contracts via advertising agencies," said Blake.

Before the recession in 1991, Propshop had a staff of 16 and a turnover of £850,000. It dipped to £780,000 the following year.

"With advertising agencies producing far less work we realised the value of our diversity of business," said Dann.

"We were thankful things were not a lot worse - we lost two staff - but we also realised things would have been much more healthy had we been able to undertake exhibition work."

The lucky break came in early 1992. "Our neighbour since we started had been a Frenchman who ran a small exhibition company. When he said he was going to sell up and return to France we were in an ideal position to buy the company," said Dann.

The price of the lease, stock and goodwill was £80,000 over two years, which the two managed to fund from profits plus the aid of a temporary overdraft.

It gave Dann and Blake an immediate entry into the exhibition world, as they also acquired two experienced employees, who are still with them.

It also provided a further 4,500 sq ft of much-needed space. Propshop now occupies all the original printworks as well - a total of 25,000 sq ft - and the full-time team numbers 46, with self-employed freelances brought in for special projects.

Exhibition work has taken off in the past three years, but it is designing and making props for large stores that has been the fastest-expanding side of the business.

The big success has been with Mothercare, the children's wear chain. From originally being called in to attend to a minor crisis in the decoration at the Watford branch, the company has gone on to make 90 per cent of its props, from giant boots that children can crawl inside to interactive features such as talking trees, moving trains and revolving pianos, in 125 UK stores. Overseas the company supplies the props for 57 Mothercare franchises.

Today Mothercare accounts for nearly half of turnover. However Dann and Blake do not believe this disturbs the balance of the company.

"We have budgeted for Mothercare to become less important to us, but with the present shop refurbish-

ment programme and the growth worldwide this does not seem to be happening," said Dann.

"Besides, the trend is towards what we call visual merchandising - the use of lots more props like those we make."

The company also supplies props to Hamleys, Selfridges, Dr Martens

and other high street names.

And other high street names.

"After nearly 10 years of ups and

downs, 1995 has been the year in which all seems to have come together," said Dann. "Above all, we are doing it."

■ The Original Propshop, Turpins

Yard, Oaklands Road, London NW2

SD1. Tel: 0151-208 1888.

Five years on Memorial that survives

In the middle of last year, Harriet Frazer was wondering whether her business, Memorials by Artists, was in its death throes. It would have been a strange irony if it had ceased trading, as Frazer's business, which was first featured in Weekend FT's Minding Your Own Business column in October 1990, is built on the inevitability of death.

Memorials by Artists is a nationwide service which puts the bereaved in touch with a network of designer-carvers who make individual memorials in native natural stone. Frazer started it six years ago, after she had recovered from the death of her step-daughter at the age of 26 in 1985.

"It has undoubtedly proved a need. The problem has always been reconciling a very labour-intensive and personal service, trying to interpret the needs of the bereaved, with making realistic charges," said Frazer, 53.

Nevertheless she has managed to cover her costs and make a small profit.

After an unexplained dip in the volume of business in the first half of 1995, the volume of work has increased and Frazer is heading for a profit of £12,500 on a turnover of £260,000 at her year end on December 31.

"It is a slender figure for all the work involved, but it is still far better than many previous years," Frazer said. "The important thing is not so much that it is contributing to the family income - my husband is a self-employed writer so things are sometimes quite tight - but that I am meeting a genuine need.

"My accountant tells me that in order to achieve more realistic profits I shall eventually have to charge more, but I am trying to counter this by broadening my business base to offer sculpture and architectural lettering in addition to memorials, by the 80 artists on my books. I also intend to offer a new service helping people through churchyard negotiations. It is a very difficult business to run because it is full of unknowns, but it is now well established and I am sure it is going to be all right."

■ Memorials by Artists, Snape Priory, Sizewell, Suffolk IP17 1SA. Tel: 01728-68334. A booklet explaining the service costs £5, post free.



Continued from Page I

southern oasis where Uighurs are still greatly in the majority.

Their oasis towns are linked by a rough and lonely road severed every few dozen metres by floodwater channels and fit only for trucks, jeeps or donkey carts. On this ancient route, part of the Silk Road which joined imperial Xian to imperial Rome, while caravans used to disappear in the desert storms. Conditions are still bad: dust as fine as talcum powder hangs in the air like a fog, reducing visibility to a few yards. And when the wind blows off the mountains life grinds to a halt.

These southern towns are already feeling the cultural impact of modern China. In Ruqiang (ancient Charklik) I found a bright new bus station built in the gaudy architectural style currently in favour, and nearby a camel stable which had been converted into a lock-up garage. Westerners

are rarely seen here; when they are, they are mistaken for Pakistani traders who come over the Karakorum pass to buy Uighur carpets, costumes and other artefacts for sale to the busy tourist trade on the other side of the mountains.

Like the cowboy towns of the old American west, the modern world in Xinjiang is only one brick thick. Town centres have been given a Chinese veneer - white bathroom tiles and tinted glass in shocking colours are popular - and the rows of mudbrick shops and dwellings are being replaced.

Life is more sophisticated and hectic on the northern side. There the road is real tarmac and crowded with motor-cycles, taxis and private cars ferrying Communist party officials and military bigwigs to interminable meetings. Lorries carrying coal, petrol or cabbages drive in endless convoys east and north through the precipitous Tianshan mountains to Urumqi.

Officials describe in glowing terms how the old Eurasian trade route is being recreated

they acquire fluency in Chinese that is usually not enough to overcome the racial obstacle to promotion or well-paid government jobs, according to a Beijing-educated graduate who has chosen voluntary exile.

Some city parents try to compensate by sending their children to Chinese schools.

Uighur couples are also permitted to have two children under China's one-child policy, but this is no help to a younger generation depressed by lack of opportunities.

Drink, drugs and prostitution are now a serious problem among young Uighurs in Urumqi. They are increasingly demoralised, said Dilimur Abbas, whose family left for Australia some years ago. "When we left our friends said we were crazy," he added. "Now they want to get out too. Even my cousin, who has a job in a bank, wants to leave."

Racial tensions have increased as the economy prosers. Before anniversary celebrations in the capital in October, precautions were taken against "minority groups", which the Chinese routinely

accuse of "threatening the unity of the motherland".

Political demonstrations in Xinjiang are rarely reported in the Chinese press, and almost never in the west. But there is anecdotal evidence of recent incidents in Kashgar, Khotan and Kucha.

One of the most serious doc-

umented uprisings occurred five years ago in the village of Baren, near Kashgar. Police, troops and helicopter gunships were sent in to quell about 2,000 villagers protesting over the closure of a local mosque. According to Amnesty International, up to 50 people may have been shot by security forces and hundreds arrested

all over the province. The human rights organisation complained in its 1992 report of "a pattern of violations" in Xinjiang following the 1989 Tiananmen Square massacre.

Although under Chinese control for most of the past 200 years, Xinjiang was not colonised by the Chinese until after the Communist takeover in 1949. At that time the Communists disbanded large numbers of Nationalist troops stationed in the province and put them into camps to become what is today known as the Xinjiang Production and Construction Corps, a quasi-military labour force numbering more than 2.2m, according to Harry Wu, the Chinese-American human rights campaigner who spent 19 years in the camps for "wrong thinking".

The labour camps, or *laogai*, are attracting high level scrutiny, too. The World Bank last month announced the results of an investigation into claims by Harry Wu that an irrigation project it was financing in the western Tarim Basin would benefit camps in the area and encourage the use of forced labour. The bank denied the money was being misappropriated and said it would benefit

"half a million very poor people", most of them Uighurs.

As the western wilderness opens up, Chinese immigration into Xinjiang is more likely to be voluntary than forced. Opportunists are moving in to pursue the lure of oil, coal, cotton and gold. Western backpackers are becoming a common sight in Kashgar and along the northern road. There is even talk of a theme park at Loulan on the eastern edge of the desert, with museum and chalets to overlook the remains of the 2,000-year-old Buddhist settlement excavated early this century.

Like others of its kind, the scheme is aimed mainly at the Japanese, increasingly enthusiastic travellers to the region. It is not yet clear how the authorities will overcome the obvious drawback. Loulan is in the Lop desert, close to the nuclear testing ground. Serious or not, the venture perfectly illustrates the dilemma of the Chinese leadership as it opens Xinjiang Province to the world. Driven by a thirst for oil and a hunger for tourist dollars, they can no longer afford to keep secret their western wilderness - nor the political and judicial regime they are enforcing there.

The red flag in China's wild west

The Chinese authorities will find it difficult to conceal the camps from western eyes

Chess No.110B 1 Qd2 (threat 2 Nf3 Ne2 2 Qc2 or Nf1 2 Qg2 or Ke6 2 Ne7 or Nf5+ 2 Nf5, or 2 Nf4 or Ne2 Nf2)

PERSPECTIVES



Crippling legacy: one in every 246 Cambodians is a mine victim, and between five and 10 people are injured every day

An explosion of style in a sacred grove

Paul Adams meets an Austrian artist who has revived local culture in Nigeria

When Susanne Wenger came to Nigeria from Austria 45 years ago it changed not only her life but also the life and culture of the town of Osogbo where she has helped to revive the traditions of the Yoruba people.

By mixing European art with local crafts and beliefs she founded the New Sacred Art, which has brought the artists fame far beyond Osogbo and earned her the gold medal for art and literature from the Austrian government. In the process, Wenger has ensured that Osogbo's holy groves and shrines will survive, for her own lifetime at least.

Born 80 years ago, Wenger was a prominent artist and founder of the Art Club in Vienna after the second world war before, by chance, she discovered her life's work in Nigeria.

"I didn't know Nigeria existed. I was in Paris and met Ulli Beier (a teacher from Germany). As one easily gets friendly in Paris, we got friendly," she recalls in a small studio next to her studio.

"He was appointed a lecturer at University College in Ibadan, then affiliated to the University of London, but on one condition - that he got married."

She agreed to marry him and they spent the next two years in the sprawling Yoruba city of Ibadan, then the biggest city in Africa, where Beier helped to set up the adult education department. In Ibadan she quickly made friends with some traditional priests.

"When I got to Nigeria, I knew my arrival was serious. I had to be involved," she says. "I found there was an archaic culture, as I had found in Austria. I have always had the strongest experiences in archaic cultures."

The couple moved to Osogbo. They parted - although they remained friends - and both later remarried. Her second husband was a native of Osogbo.

He is now dead and she shares her house with a dozen or so of the extended family she has adopted over the years.

The house is a narrow three-storey Portuguese style building with no electricity but plenty of heat and mosquitoes. A huge bougainvillea grows up to the top floor where Wenger works and sleeps. A bewildering array of art and artefacts - pottery, sculpture, brass ornaments and jewelry, and colorful batik - jostle for position with stately shaped furniture in the dark rooms or on the balcony where women cook overlooking a sea of rusty corrugated iron roofs and red dirt roads.

Are initiated into the Yoruba religion when she arrived in Osogbo, Wenger became one of the orisa, or priests. One of their holy places is a grove by the river Osun, a broad sweep of water which runs through tall tropical forest. Here the New Sacred Artists have created spectacular sculptures - some 20 feet tall - depicting the Yoruba gods in part-human, part-animal form.

The work began when she encouraged the religious devotees to express their beliefs through art. They had absolutely no formal training, but some were descended from artisans.

"It's a shrine we needed for our ceremonies. To raise the money I sold some batiks I had made to the museum in Rhodesia (now Zimbabwe). After repairing the Osun shrine, I got some of our people to do pictures on the cement wall and I engraved them. The artists and I came together through ritual. They did on their own what I had hoped they would do."

Did they adapt their traditional crafts to modern art?

"They had no thought about it. They just explored with their own style."

That explosion created art which is known in galleries in Europe, America and Japan. "We started using starch to make the batik

known here as *adire*. I exhibited them in good galleries in London and Paris. Then Ulli Beier helped us get wax and dyes and we started to make wax batik to improve the colours."

She found others who shared her ideas, including the late Adeleke, a Nigerian businessman.

"He saw the New Sacred Art in Osogbo, liked it and wanted to place it next to the traditional Yoruba art. That was exactly what I was after." He decided to build a museum and bought a site in Lagos. The land has been seized by the military government since his sudden death a few years ago, but his son John is continuing to work on the project.

Although she is now small and frail-looking, Wenger still has the mental strength which helped her to win a rare battle for conservation in Nigeria - the preservation of the Osun grove.

Some Danish guns in her house - confiscated from poachers - are among the trophies of her stand against any threat to the sanctuary. As well as the illegal hunters and fishermen, these threats came from farmers who wanted to burn the grove down. Moslems suspicious of traditional religion who wanted to replace it with an Islamic school,

'The artists and I came together through ritual. They did on their own what I had hoped they would do'

and even the local chiefs who planned to sell it for building land.

After a long struggle, former military ruler Ibrahim Babangida, not a noted conservationist, was persuaded to sign a decree preserving the grove. Now the only invasion occurs each July when thousands of tourists converge on Osogbo for the Osun festival. Most are black Americans and Brazilians trying to trace their culture. Many of the slaves sent to Brazil were Yorubas and their descendants still have a form of the religion and language.

"Without Susanne Wenger, the groves would not have survived," says Sango Dara, one of the leading Osogbo artists. "There is a passage in our Ifa scripture about an outsider who points out the error of our ways. We needed her," he says.

Does it not sadden Wenger that it took a European to preserve the Yoruba culture?

"Yes but you have to accept it," she says. "Something that looks bad can also be good."

She blames Christianity and Islam for nearly destroying the local culture.

"The threat to traditionalism is not the motor cars, it is the education. They created the wrong kind of schools here. The missionaries were ignorant of the local culture and treated it stupidly."

Her work has brought international recognition and a British archaeologist is trying to include the Osun grove in a proposed world heritage site in Nigeria, but John Adeleke believes that unless Nigerians make an effort her movement will not survive. He plans to set up a Susanne Wenger Foundation to help preserve the grove and her house and to encourage research into the *orisa* culture.

"The truth is that without Susanne there would be no Osun grove today," says Adeleke. "There would be a narrow stretch of river bank where the Osun maidens could go once a year during the festival, surrounded by houses and flats. Osogbo would be like all the other old Yoruba towns where there once were groves for the sacred shrines which no longer exist."

Encounters

You never know when you might need a wailer

In Portugal, no occasion is complete without a professional to lead the wailing, discovers Christina Lamb

I met a woman recently who waits for a living. At first I thought my Portuguese must have let me down again and I had misunderstood. The word she had used was *corpoero* - something to do with carp fishing, I thought, though it seemed an unusually specific word in one of Portugal's most arid regions. Besides, her behind was so voluminous I found it hard to imagine how she would retain her balance on a riverbank.

Then she opened her mouth to demonstrate. What came out of this small middle-aged woman with the tight bun of hair and the big backside was not a moan or a cry but truly a wail, a long shuddering wail of such epic proportions that it had the dogs howling for miles around

Elvis on it. "You never know when you might need an Elvis," he said. I can honestly say I have been in some tough situations when a Harpo Marx, Professional Wailer, it said in flowery italics. I have come across some strange professions in my time but this was a new one on me. "Excuse my ignorance," I said, "but why would anyone need a wailer?"

"You never know when you might need a wailer," she replied, reminding me of the man dressed as Elvis I had met long ago on Sunset Boulevard. He posed for a photo with me then pressed a card into my hand with Eddie Powers As

gathered take over." Seeing my continuing bafflement, she added: "Think of the shame of an occasion" - she pronounced the word with special reverence - "with no wailing."

It turns out that just as English towns and villages used to have town criers, in Portugal they have wailers. "It's an honour to be the town wailer," stressed Teixeira, who comes from one of those whitewashed and cobble-streets villages that the Portuguese do so well. As usual with these towns, hers has a story attached. It was given by a king to his queen after his forces successfully stormed the castle disguised as cherry trees. And I

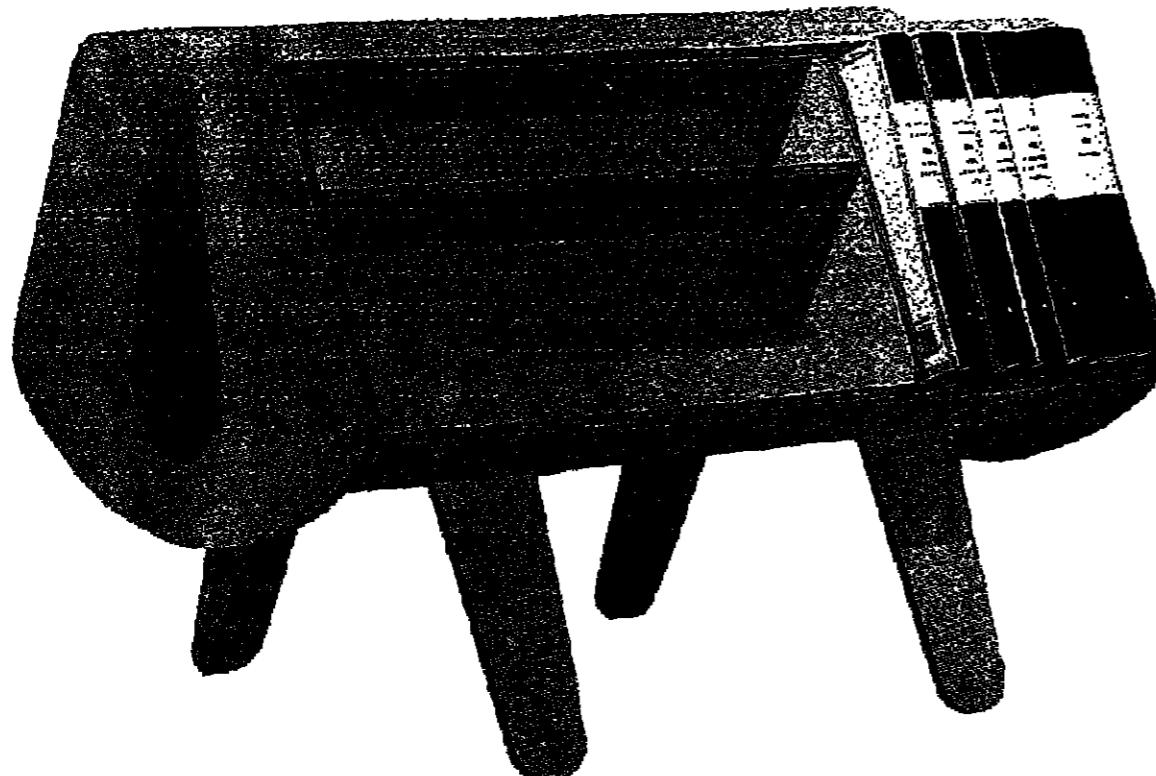
thought the British had invented Monty Python humour.

Teixeira's wailing career began at an early age when it was discovered she had a particularly strident cry. Her mother was the family black sheep, having come from a long line of wailers and failed to make the grade herself, being unfortunately endowed with a squeaky voicebox which no amount of cod liver oil and tobacco smoke could deepen. Condemned to a life of taking in laundry, she was overjoyed when Maria came into the world with a deep, throaty and unmistakable wail. To encourage its development she took to locking Maria in cupboards or losing her in forests, forcing

her mother makes", it is easy to forget how traditional Portugal still is. But behind the medieval walls of its villages, you discover a different world where women yearn to be wailers, and donkeys are the main mode of transport. And, while many young people have left the countryside for the city, they have not forgotten the old ways.

Indeed, they are blending the modern and traditional. Teixeira's daughter, who has moved from the village to Lisbon, is thinking of starting wailing classes for stressed executives. "It is a great way of letting out tension," she explained as I wished her daughter luck in finding a sufficiently soundproof room. Next time I need a wailer, I know where to go.

HOW TO SPEND IT



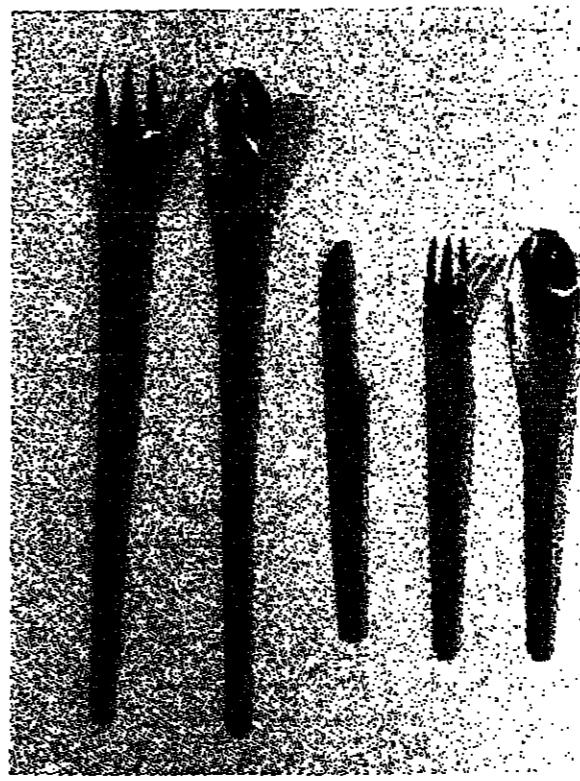
The Donkey

These days, talented British designers tend to work for non-British companies. Isokon, a London furniture company, achieved the opposite in the 1930s by hiring the émigré modernists who had fled from the Nazis to pre-war Britain.

Jack Pritchard, its owner, was a modernist and a close friend of Walter Gropius, founder of the Bauhaus. He commissioned plywood pieces from Marcel Breuer, one of the Bauhaus teachers, and smaller objects from the Austrian designer, Egon Riss.

One of Isokon's most appealing products is the Penguin Donkey, designed in 1938. It is a literary pleasure pod that can be used to stash away magazines, books, techno toys and whatever food or drink you choose to go with them.

■ Available in birchwood for £275 from Windmill Furniture, Turnham Green Terrace, Mews, London W4 1QU. Tel: 0181-994 7032.



Eating irons

When Stanley Kubrick filmed his futuristic fantasy, *2001: A Space Odyssey*, in 1968 he commissioned all the props from designers. They were told to create objects that looked as though they belonged to the future, such as the chairs dreamt up by Olivier Mordue, the French furniture maker.

But when it came to choosing cutlery, Kubrick decided on these abstract silvers of stainless steel which were designed 11 years before by Arne Jacobsen, the Danish modernist. The cutlery, like almost all Jacobsen's designs is contemporary yet effortlessly elegant.

It looked enticingly futuristic in Stanley Kubrick's 1960s spaceship and, nearly 30 years later, it still seems fresh and exciting.

■ A place setting costs £60 from Georg Jensen, 15 New Bond Street, London W1X 3DB. 0171-489 6541.

What I bought on a £27,000 spending spree

Alice Rawsthorn was given the opportunity to spend someone else's money on objects that she would like to live with. This is what she did...

I cannot pretend that I hesitated to say "yes" when I was asked to spend £27,000 of someone else's money on anything - or almost anything - I liked.

My spending spree started when Sir Terence Conran invited me to be the curator of this year's Conran Foundation Collection. Each year the foundation, a charity founded by Sir Terence to raise awareness of design, invites someone to spend a fixed sum on a collection of objects to be exhibited at the Design Museum in London before being sealed in the Conran archives.

The only criterion was that everything I chose had to be "things I would like to live with" which were "in current production". This ruled out blowing the budget on a bespoke John Galliano ball gown, or bidding for one of Joe Colombo's funky 1960s living systems at a 20th century furniture sale.

My choice was complicated by the fact that each object would go on public display.

This meant that it would have been pointless to treat myself (or the Conran Foundation) to the most chic clothes of the season, or a series of charmingly idiosyncratic chairs.

Instead, I decided that everything I chose must conform to the classic design criteria of looking beautiful and fulfilling its function, but should also show that lateral thinking had been applied to its design either in terms of the concept, the production process, or the way the product responded to changes in the way we live.

I also made things easier for myself by asking Marc Newson, the Australian designer behind Coast, the restaurant on London's Albemarle Street, to design the exhibition. If nothing else, at least I knew it would look wonderful.

Some objects were easy to choose. The collection offered an opportunity to splash out on contemporary design. The work of Jasper Morrison, who was curator of last year's Conran Foundation Collection, has always appealed to me as the epitome of modern elegance. I snapped up one of his opulent *chaises longues* and a deceptively simple piano chair.

I also chose one of the futuristic plastic Gello tables designed by Marc Newson for 3 Suisses, the French mail order catalogue, and a miroir men-tour, or "wing mirror", a perfectly plain square of hand-bent glass designed by Catherine Levy and Sigolène Prébois, who work together as Tee & Tee in Paris.

The collection was a chance to acquire some of my favourite design classics: one of Marcel Breuer's 1936 plywood nesting tables and the abstract fibreglass *chaise* that Charles

and Ray Eames designed in 1948 for a competition at the Museum of Modern Art in New York. I also treated myself to Arne Jacobsen's ascetically elegant 1960s stainless steel cocktail kit and to his 1957 cutlery which the film director, Stanley Kubrick, later used as props in *2001: A Space Odyssey*.

The best examples of design lateral thinking were in the computing field. The Clipper CS-1, a mobile computer workstation that I spotted in *Wired* magazine, is an imaginative way of enabling people to work in privacy in open-plan spaces. Microsoft's wavy Natural Keyboard is the product of three years research to find the best lay-out of computer keys.

My most extravagant purchase was the Gyo-an, one of a series of three collapsible tea houses designed by Shigeru Uchida, a Tokyo architect, for an exhibition in Milan last spring. The Gyo-an, an elaborate structure of latticed bamboo modelled on traditional Zen tea house, is an exquisite object but costs £12,000.

To atone for that, I added some cheap items: a £1.95 pack of polystyrene clothes pegs from Muji in Tokyo, the 60p edition of Sigmund Freud's lectures in Penguin's 60s Series and the crushable Evian water bottles which take up a quarter of the space of conventional bottles in landfills.

Then there were clothes. I plumped for one of Tom Ford's chain belts for Gucci, a blend of easy American elegance and Italian craftsmanship, and for Helmut Lang's uncompromisingly modern satinised shift dress and metallic tank-top. There were also a couple of examples of advances in textile technology: Rei Kawakubo's chemical nylon tulle lace slip for Comme des Garçons and a 1960s-style Prada jacket made from a crushproof mix of nylon, polyester and spandex.

There were some constraints on my spending. Some of my favourite classic designs by Joe Colombo and Carlo Mollino are out of production and, even with £27,000, some things were just too expensive.

I had planned to treat myself to some of the exquisite, but incredibly expensive glassware that Carlo Scarpa designed for Venini in the 1940s and 1950s. And after a quick flick through the Venini catalogue, I fell helplessly in love with a Scarpa dish, *Il Serpente*.

It was gorgeous but the price of £4,300 seemed high even to a woman who had just spent £12,000 on a collapsible tea house. And, after *Il Serpente*, none of the other Venini pieces seemed as covetable.

■ The Conran Foundation Collection exhibition is at the Design Museum, Shad Thames, London SE1 2TD until April 26.



The Dyson Dual Cyclone - stylish and new tech

When James Dyson asked the City for capital to put his vacuum cleaner designs into production four years ago, the answer was "no". He funded the project himself

and has since created 300 jobs and bagged a £35m Japanese export order. The Dual Cyclone's success proves that consumers do respond to innovative

products mixing imaginative styling with new technology, in this case a cleaning system so powerful that it picks up the smallest specks of dust and grit. One visitor

to my house said: "Wow! What a great machine." ■ From department and electrical stores for £199. Dyson Appliances: 01666-827200

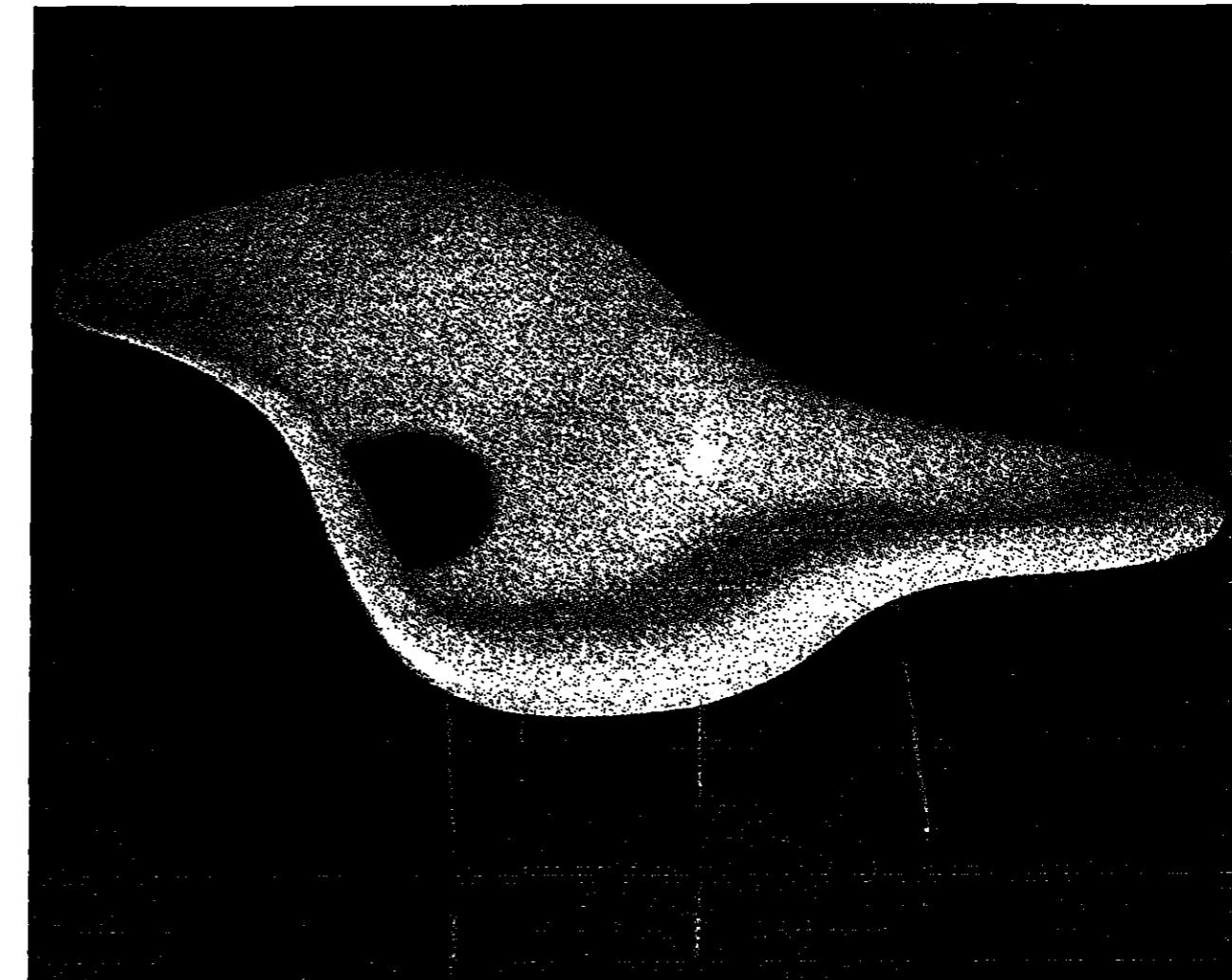


Prada's pantsuit

One of the best things about Miuccia Prada's fashion is her knack of repackaging the past in a completely contemporary way. This pantsuit looks like one that an icy hip Julie

Christie might have worn in *Darling*, but it is made from a combination of materials.

■ Price £500 from Prada, 44-45 Sloane Street, London SW1X 9LU. 0171-235 0008.



Glorious piece of period design from Eames

The Eames Chaise is a glorious piece of period design. Its abstract fibreglass form could only come from the late 1940s, but is so perfectly

proportioned that it looks exquisite in any era. The only hitch is the price. Charles

and Ray Eames designed it in 1948 as their entry for the Low Cost Furniture

Competition at the Museum of Modern Art in New York. They hoped to sell it for \$50, but the chaise never went into mass production. It is now made at Vitra's

state-of-the-art furniture factory in Germany and costs £2,395. ■ From Vitra, 13 Grosvenor Street, London W1X 9FB. 0171-408 1122.



FASHION

The year the anorak came in from the cold

Skiwear is the fashion 'must' of the moment, whether you are holidaying in Gstaad or shopping in the local high street, says Karen Wheeler

If it looks good on the ski slopes, the chances are that this winter it will look even better in the city streets. Designers have taken skiwear as their latest inspiration and the result is sporty, modern clothing that is both practical and a joy to wear – even by those who cannot tell a snow-plough from a tractor.

Many of the styles, such as Donna Karan's high-tech, metallic parkas, could easily withstand the rigours of Aspen, Verbier or Gstaad but would also look dashing and up-to-the-minute on the high street.

Others simply draw on the best elements of skiwear – the sleek minimalism, futuristic fabrics, zipper fastenings, curvy jackets and stretch pants – and place them in the setting of a metropolis rather than a mountain resort.

These are the sort of outdoor clothes that will brighten even the gloomiest, coldest January. Ideal for chic weekend dressing, warm quilted anoraks, futuristic parkas and Puffa-style jackets in neon bright colours can be thrown over everything from leggings to a shift dress.

"I love the fact that these clothes are warm and user-friendly and will work in so many diverse ways," says Donna Karan.

"I wear ski jackets thrown over cashmere dresses for the office, with leggings or ski pants for the weekend and I've even worn a ski parka with a fake fur collar to a black-tie dinner."

It is a sentiment echoed by Ralph Lauren, whose advertising campaign for Polo Sport features a man dressed in formal black tie with a silver ski

available on the high street. White quilted tunic dresses with zippers, quilted A-line skirts and matching jackets in silver or turquoise at Karen Millen for example, prove that the ski look lends itself to more than the energetic outdoors.

But it is for cold-weather dressing that the ski-look is most suited. And it is amusing to note that many ski-related items previously considered staid are now considered cutting-edge style.

The humble anorak has cast aside its train-spotter image and leapt to the forefront of fashion. And it is not alone.

The sleeveless, padded jacket, has also been reinvented as a hot fashion item.

A colour palette of neon orange, yellow or blue or futuristic silver and white is the only thing which stands between it and its less hip past.

Colour is a crucial component of the ski-look – and the brighter the better. Hard though it may be to believe, the best selling shade at Esprit's store in London's Sloane Street is orange, closely followed by black.

Cropped Puffa-style jackets and sleeveless padded styles in vivid colours are very popular, says Susie Reece Jones, Esprit's marketing director.

"People of all ages are buying and they are wearing the garments in unusual ways. I've seen our sleeveless orange jacket worn with a long black dress and it looked terrific."

According to Donna Karan, bright colours are a way of asserting your individuality. "Brightly coloured ski jackets are really fun if you wear a lot of black – which most New Yorkers do."

Alternatively she suggests that "silvers and whites look very clean and modern". The DKNY shop in Bond Street, London, is a veritable winter wonderland of colourful ski-inspired clothing. Even if strict tailoring and fashion-pack-black is your thing, there you can find yourself hankering over cobalt blue metallic ski parkas, padded jackets in taxi cab yellow and down-filled jackets in neon orange.

It was Klaus Obermeyer, a Bavarian, who invented the first quilted ski parka in 1960. Forty-five years later, it features in every designer collection from Giorgio Armani to Georges Rech. The irony, of course, is that the ski-look started as a streetwise look with hip youngsters and rap musicians adopting the padded jacket long before Prada et al gave it designer cachet and mainstream appeal.

Fittingly, some of the best versions are available at high street stores. Benetton has chic nylon anoraks and cropped Puffa-style jackets in silver or orange, Marks and Spencer has a classic padded jacket in black; while Warehouse has ski-inspired anoraks in silver and Joseph stocks a sporty, quilted jacket in lipstick red.

Fit for my money however, the best high street buy is French Connection's padded duck-down jacket at £299, in pale cream, citrus, lavender and black.

To comply with the demands of minimalism, a drawstring is cleverly concealed on the inside so that it can be cinched in at the waist for a leaner, body-conscious effect. A high collar and hidden zip add to the feeling of modernity.

Even bag designer Bill Amberg has paid homage to the ski slopes with a Puffa-style rucksack or shopper bag in orange or white leather. Provided that go-faster stripes, patterns and embellishments are avoided, this is one trend which looks good on just about everyone.

Sleek, modern and the ultimate in feel-good clothing, this season skiwear is as much at home in a chic urban bar as it is schussing down the slopes of St Moritz.

Miuccia Prada, who led fashion's high-tech revolution a year ago, and whose curvy, white quilted jacket became a seminal piece this season, is credited with influencing the avalanche of ski-inspired styles.

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OUTDOORS

Property

Paris is still a city with style

Gerald Cadogan looks at top-class homes in the French capital

In the 7th arrondissement of Paris is a house of style and space. The Hôtel Lorillon, at 38 rue Barbet de Jouy, is a mid-19th century house built in a pure 18th century style in dressed ashlar masonry.

The main facade is flanked by two pavilions, one now a garage and the other the concierge's quarters. At the back is a garden, with a stone basin and fountain that Le Notre could have designed, and views towards the gilt dome of Les Invalides.

It has marble fireplaces and Versailles parquet, but also 17th and 18th century paneling removed from other houses of quality, such as the Hôtel de Broglie.

The cost of all this magnificence is FF60m (£7.6m). The house has about 900 sq m of space on four floors, with 10 bedrooms and a parade of grand reception rooms on the first floor.

Part of the home's attraction is that it is a whole house and garden in a city of flats.

So who will buy this desirable Paris residence? Agent Philip Hawkes (tel: Paris 033-1-42 68 11 11) thinks it will probably go to a Frenchman. If it is a foreigner it is likely to be someone imbued with – and a connoisseur of – traditional French culture.

Hawkes is an Englishman who has been working in Paris since 1976 and since 1985 has run his own company. Most of his clients are French and he has made his reputation by selling top-notch properties in Paris and the country.

The past year has been a slow one for Paris's property market. "A year of wait and see," says Richard Crosthwaite, of Knight Frank, another English agent which has an office in Paris.

The strong franc was one culprit – devaluation would do wonders for

the market. As British holidaymakers know, it stood all year between FF7 and FF8 to the pound, a painful drop from the familiar FF10 of a few years ago.

The threat of Algerian extremism has not helped to win overseas buyers either, however phlegmatic the Parisians have been in the face of these IRA-style perils in the capital.

Last month's public transport strikes probably did not help either, although it is hard to tell what the long-term effect will be. They were certainly a temporary disincentive.

Perhaps it is no coincidence that "there has been quite a flurry of people interested in manoirs and châteaux" in the country, as the Philip Hawkes agency says.

Estate agents are longing for a shock stimulation on the banks of the Seine like the September 1992 devaluation of the pound which perked up the prime London market. Crosthwaite believes there is plenty of foreign demand waiting in the wings. For Middle Easterners, Paris remains "a traditional home from home". The new element is east Asia where, on a recent road show, he sold plenty of flats in the Passe Plaza development (Paris 16th).

A very small number of properties at the top end of the market were sold in 1995. At best, the market has been on hold, says Crosthwaite, "like London just over three years ago". Many prices have come down, making buying and selling slow and difficult. "It's hard to induce people to buy when prices may well carry on falling," adds Philip Hawkes, who sees yet another disincentive in stamp duty and notary's fees adding about 7 per cent to the price.

"The things that are really cheap in Paris are not necessarily what you want to buy", he says, pointing to properties in the suburbs that



The Hôtel Lorillon (38 rue Barbet de Jouy) is a mid-19th century Paris house built in a pure 18th century style

the banks have called in.

In central Paris, which is a small area, repossessions have been relatively few. "If you have the time, you may well find a bargain there." But the Paris market is always so confident that it is hard to know what may be for sale. Often, it depends on the agreement of all the members of a family.

Flats are the mainstay of Paris housing, and have a built-in grandeur and style (since they are designed as apartment houses around a wide central staircase).

Crosthwaite expects more modern schemes to appear in Paris, to judge from the interest from British, German and US developers. These new blocks will have one big difference

from the old apartment houses. They will offer Manhattan-style porters behind a desk in the entrance hall – a far cry from "the concierge in a cubby-hole at the foot of the stairs", says Crosthwaite.

Rents, as well as capital values in Paris, have come down. A prime three-bedroom flat in the 6th, 7th, 8th and 9th arrondissements which

would have cost FF12,500 a month in October 1993, was FF11,500 two years later, Knight Frank estimates.

Likewise, Rowan Corporate Relocation quotes current rents of FF7,500 to FF8,000 for a two-bedroom flat – and FF11,000 to FF12,500 for a three-bedroom house – in good residential areas.

Hawkes and Crosthwaite are

milky hopeful for 1996. If the franc were to devalue, it would be a different market overnight. Central Paris prices would probably rise smartly, as they did in London after September 1992. Even pounds would go further.

In the Place des États-Unis in the 16th, Hawkes is offering a sumptuous first-floor flat of about 220 sq m facing south-east on to the square and looking down to the Avenue d'Iena. The cost is FF5m.

This looks a lot but the grand salon of 69 sq m (a third of the floor space) makes it less surprising. With a high ceiling, red marble fireplace, damask walls and a parquet de Versailles floor, it is ideal for entertaining in belle époque style.

Cadogan's Place / Gerald Cadogan

A firm by any other name

Farewell Rutley. After 100 years on the masthead of the UK's leading estate agents, Knight Frank & Rutley, the firm has opened its centenary year by dropping him. KFR has become Knight Frank.

Little is known about William Rutley, one of three founding partners in 1896, except that he was a valuer for paintings and antiques. The other partners were John Knight, an auctioneer, and Howard Frank, an estate agent and the first senior partner.

Auctioning chattels formed the bulk of the new firm's business but in 1897, when Edward Hudson started Country Life, the country house market took a new turn and Frank left in.

KFR's first full-page advertisement in August 1898 gives the flavour of his selling line. "Overlooking the Wye Elizabethan mansion, grounds of inexpressible beauty" was one property. Another was just the thing for robber barons: "To wealthy South Africans and City men – north of London – to be sold, a freehold residential estate suitable for those desirous of entertaining largely".

By 1902 the property side had overtaken auctions. In 1910 KFR moved to 20 Hanover Square, London W1, a handsome Georgian town house.

In the same year KFR offered the Chequers estate for sale, although not the house which was to become the prime minister's country seat. KFR's involvement in other important properties included Stonehenge (1915), the Royal Naval College at Greenwich (1995), and many Scottish estates, such as Dunbeath, which it sold in 1938 for £30,000 and is now offering for £5m.

KFR also valued Sandringham (at £200,000) for the Duke of Windsor in the financial settlement on his abdication. Amassed buildings in Grosvenor Square after the war for the site for the new US Embassy and sold Churchill's twin houses (27 and 28 Hyde Park Gate) by auction after his death – for £102,500.

Knight Frank's headquarters are still in Hanover Square, and the firm will stay a partnership, says senior partner Bill Yates. There is no intention of becoming a quoted public limited company, as some of its rivals have done – with sometimes unhappy results for the shareholders.

■ Several houses by known architects are for sale.

□ 2 Thurloe Street, London SW7. is a classic stuccoed house with portico by George Basevi (1845). It has been in the same ownership since 1947, and still has an outside lavatory for the gardener. W.A. Ellis (0171-551 7654), £285,000.

□ The Vineyard near Saffron Walden in Essex is a striking brick and stone Victorian Gothic villa by William Beck. It is strikingly similar to many buildings at Harrow School, which are also uncompromisingly avant-garde for the time. Bidwells (01223-81542), £700,000 (with 20 acres).

□ Dalnyved at Barley in north Hertfordshire was built by Edgar Wood and J. Henry Sellers (1897) of Manchester, leaders in the Arts and Crafts movement, for a mill owner who escaped the Russian revolution. Now listed grade II*, it is a brick house which anticipates modernism in Britain by many years. An intriguing property. Jackson-Stops (0171-589 4536), £475,000.

□ Also grade II* is an Anglican chapel and crypt, once part of St Peter's convent in Woking in Surrey, by J.L. Pearson (1900). The chapel still has a working organ (from 1904) and lavish stained glass and marble. Its design reflects Pearson's visit to Italy in 1873; the crypt is Byzantine in style. Cuthbards (01483-77644), offers over £250,000 from parties who intend to continue to use it for divine worship.

■ In my article on forestry (Weekend FT, December 9/10), the telephone number of Tilhill Economic Forestry should have been 01786-811721.

Gardening / Robin Lane Fox

Old resolutions for a brighter new year

The frost over Christmas has sharpened all our new year resolutions in England. Curiously, it seems to have done little damage, although I have had to look back to 1947 for evidence of the iced rain which sat on evergreens and hedges last Saturday.

Hoping that we have seen the end of it, I would like to encourage those who have new plans, new gardens or old traumas in 1996.

I cannot agree with the new year encouragement of the advisers on *Gardeners' Question Time*. They seem to think that considered taste and artistry are snobbish and continue to tell listeners to go out and put whatever plants they want into one riotous combination. Anything seems to go, in these panelists' minds.

I wonder if they take a similar view of cooking? Anyone who walks into the kitchen and throws together the first ingredients which come to mind will end up with indigestion or worse.

Recipe books are not called elist, but as soon as anyone suggests that carnine peturias and ill-considered French marigolds are look beasts together, they are accused of being snobbish, dismissive and socially incorrect.

My new year encouragement is quite different. Anyone who likes gardening and minds about it is concerned to place, please and present plants as appealingly as possible.

This presentation involves the eye of an artist for colour and shape, the knowledge of a cultivator for soil, aspect and variety, and the sixth sense of a landscaper for the rare ability to match a style and design to its surroundings.

Good professional designers may perhaps combine all three arts, but they confront me just as often in the gardens of people from every walk of life and social position. Together, they would make a very odd elite, but after years of talking to them and learning from them, I think we agree on one reassuring principle.

Making a garden is a process, not a blueprint. I cannot encourage you enough if you find that you are progressing gradually, changing your mind or seeing a new opportunity

after several years on the same site.

The whole pursuit is a process in which one idea suggests another. I have battered away at the same miserable site for six years now, and sometimes I wonder how I can have been so blind to the need for moves which I have only just made.

Surely it was obvious that the left-hand side of the garden needed height and the right-hand side needed some emphatic beds in the shade of a belt of trees?

Surely I ought to have realised that the lower third of the site needed jazzing up with

last week, and I take particular comfort from her own descriptions of her progress to this medal-winning status.

In her recent book, *The Making of a Garden*, she is explicit

about the many changes, retreats and alterations which have been forced on her plans at home since the late 1960s.

"As well as the mistakes,

there were the disappointments. Quite soon I abandoned the ambition for my red border."

The secret of the greatest of all gardens, at Sissinghurst, is no different. The

owners were always changing

their mind and much of the

planting has continued to

evolve since their death.

The famous red and yellow

Cottage Garden began with

hedges of the rather awful

Rose Betty Uprichard, as I

remember discovering from

their planter's own notebooks.

The interesting book by

Tony Lord, *Gardening at Sissinghurst*, is contentious proof

that gardening is a process, as

he lists the many changes, zig-

zags and innovations in the

garden's basic plan.

Even the plan did not

emerge fully-fledged from its

author's mind: if someone had

told them to freeze their first

thoughts because they were

the blueprint and nothing

would follow, except the

bill, the place would look most

peculiar.

Whether you are starting,

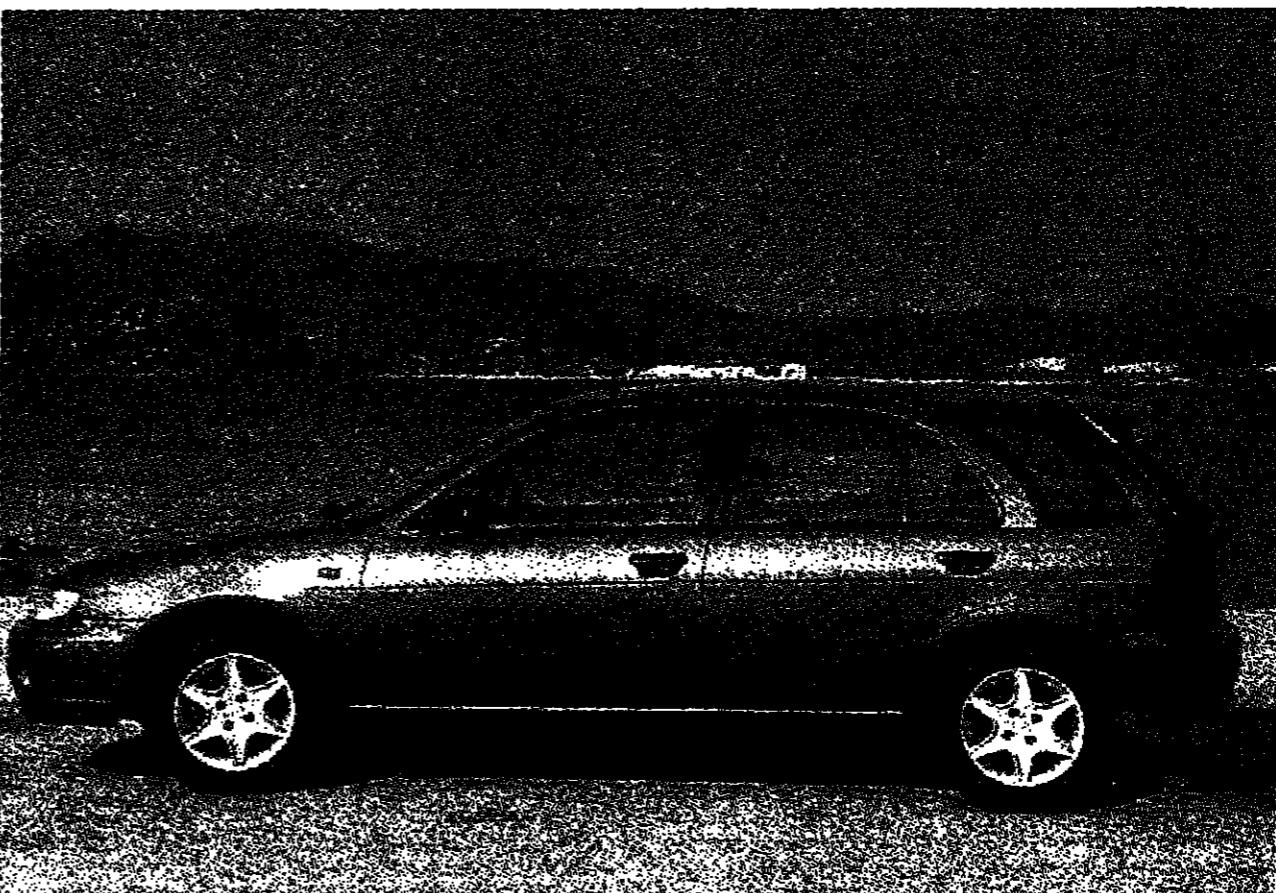
continuing or feeling

arthritic, my

message for

1996 is to keep

steadily on



A stylistic mess around the rear quarters, but the Almera five-door is another competent Nissan

Motoring / Stuart Marshall

Nissan at home in England

For nine years Nissan has been making cars in north-east England. British motorists – and the all-important fleet buyers – now see the name as more than just a Japanese marque. They reckon Nissan is one of them.

In all, more than 1.2m Nissan cars have rolled off the assembly lines at Washington, County Durham. First was the Bluebird, next the Primera and most recently, the Micra. The fourth Nissan to be British-built will be the new Primera.

Production starts in July and it will go on sale in Europe in October immediately after unveiled at Paris motor show.

Nissan has been a big spender in Britain: by the time the new Primera will have been invested. Around 5,000 Britons are on the payroll. Two of its three European technical centres are at Cranfield, Bedfordshire. So, although by industry standards it is a newcomer, Nissan is just as British a car maker as Ford or Vauxhall.

up with the motorway pack, which its small size and low price seemed irrelevant.

And the QX, which surely has one of the best V6 engines on offer, regardless of price, combined small-car nimbleness in city streets with luxury car silence. All four Nissans were quite low geared, but their engines did not fuss on the motorway and pulled smoothly in the higher gears in town.

The Primera I tried was the 1.6 LX at £13,250 the lowest priced of the 19-strong range. When Ford was developing the Mondeo, it used the Primera as a benchmark for suppression of NVH – noise, vibration and harshness. It shows.

A Primera 1.6 LX looks rather anonymous but is nicely refined. Yes, it is unexciting: but it is a competent provider of personal transport for up to four people with a massively spacious boot. Like all Nissans, its five-speed gearshift is slick and finger-light.

Last, but not least, the Almera, was launched in Britain late last year with an advertising campaign that was I think, supposed to be funny. But it was so flat-footed and irritating that nothing would have persuaded me to visit my local Nissan dealer for a test drive.

If it had the same effect on many potential buyers, that is a pity. As a small/medium family car, Almera is as good as anything of similar cost. Prices range from £9,750 for a 2-door SRi to £12,850 for a 1.6 SRi or SLX 5-door.

The three-door models

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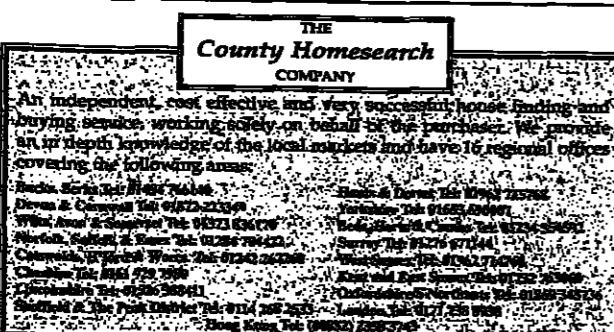
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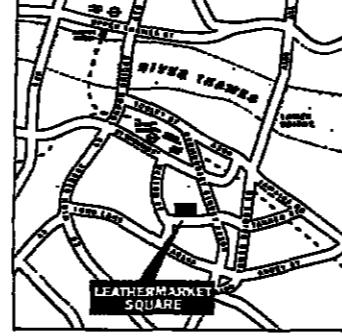
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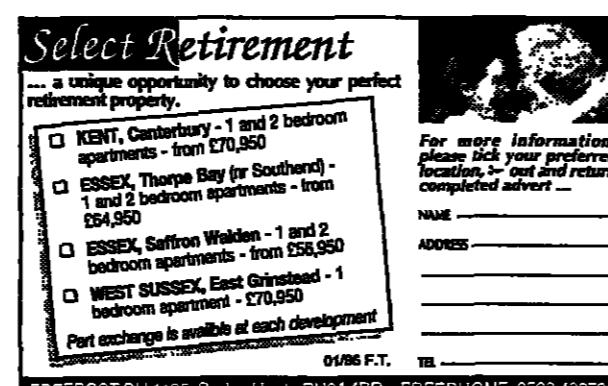
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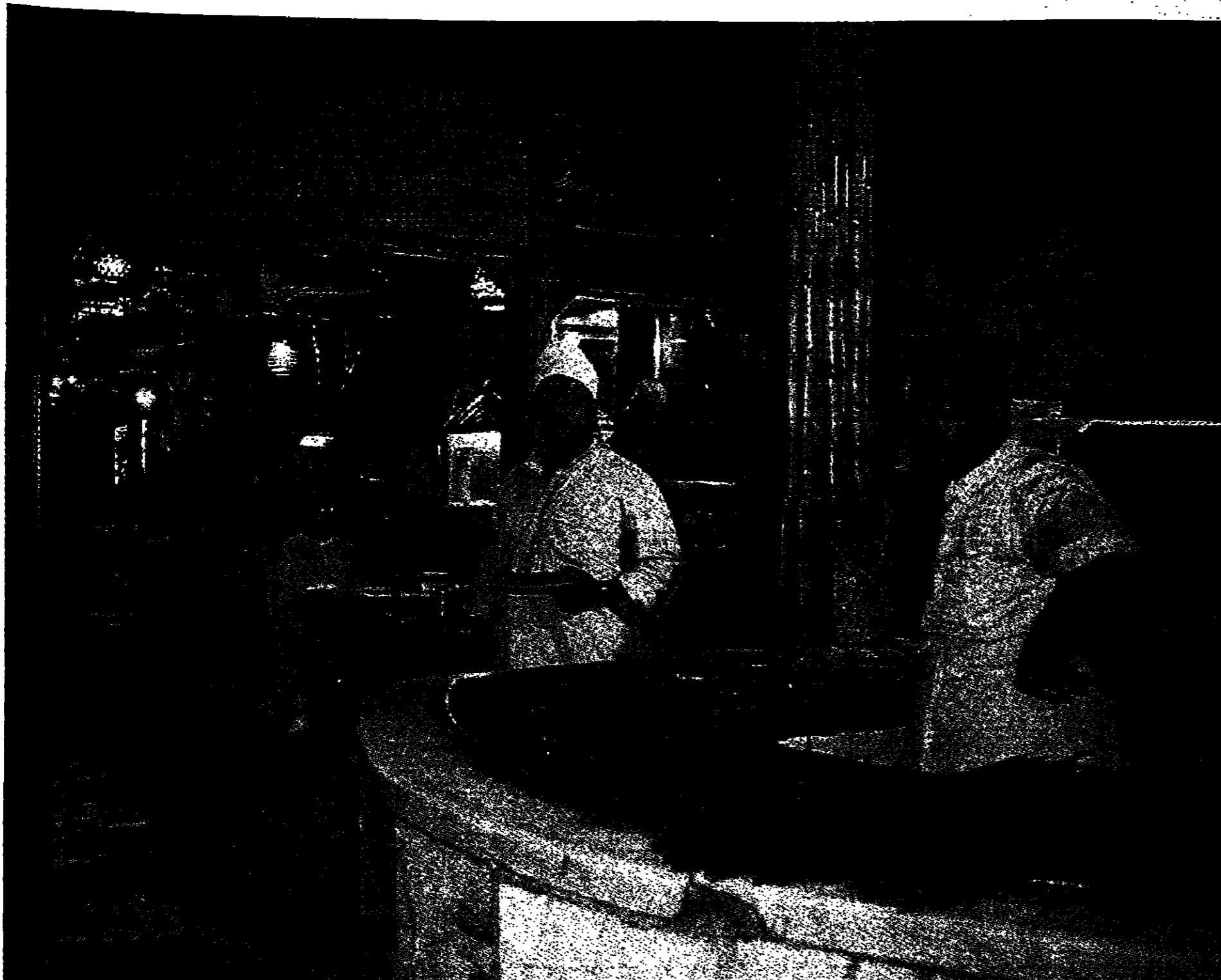
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FOOD AND DRINK



A falafel restaurant in Cairo: a popular food throughout the Middle East

Cookery / Philippa Davenport

A time for thoughts to turn to jelly

The feasts of Christmas and the new year should leave us feeling joyously fed. In practice many people feel sated, as stufed as the turkey.

Twelfth Night must be celebrated at the special occasion if it is, of course, but after the 11-day marathon most cooks and those gathered round their tables may be hoping and praying for lightness of touch in the kitchen department. Nothing too rich or elaborate. No heavyweight dishes that might lie reproachfully on the stomach.

The menu I have in mind is slightly unconventional in its format. It will begin with oysters, simply served with wedges of lemon and brown bread and butter.

To follow there will be towering, creamy, classic cheese soufflés, partnered perhaps by the agreeable bitterness of lightly fried or pan-braised Belgian chicory, or steamed spinach, or plenty of salads.

To finish with a sparkle, there will be shimmering home-made jellies.

I like to make and serve jellies in cocktail glasses. This shows off vibrant colours to best advantage and means that little gelatine is needed, so the tastes of the ingredients shine through to the full. It also spares the cook the daunting prospect of unmoulding jelly for serving - and any possibility of ignominious collapse.

CRANBERRY AND POMEGRANATE JELLY

(serves 6)

I wanted to make a shocking pink jelly with early forced rhubarb spiked with orange zest and maybe a splash of curacao, ginger wine or white rum, but that will have to wait. My plans were thwarted by the modern shopkeepers' policy of sweeping away "ordinary lines" such as rhubarb" for the festive season to make way for more of "the exotic imports everybody wants".

Everyone? Am I alone in refusing to buy strawberries, raspberries, *et al* at this time of year? Cranberry and pomegranate seem more seasonally acceptable and they make a sharply bitter jelly as scarlet as Father Christmas's cloak.

400g fresh cranberries; 2 pomegranate (or 3 table spoons grenadine syrup diluted in 9 table spoons water); 100g or more caster sugar; kirsch to taste (or a soupcon of triple distilled rosewater for a tea-total jelly); 1 sachet or 1 tablespoon gelatine powder.

der in 3-4 tablespoons cold water and warm over gentle heat until the gelatine has melted and the liquid is clear. Blend in a little of the tepid coffee, then stir in the rest. Pour into individual glasses; cover and chill until softly set.

Just before serving finish the jellies by floating a little pouring cream over the surface of each. Use cream pure and simple just as it is, or enliven it with a drop or two of alcohol perhaps. Garnish or not as you wish with rolled shavings of best bitter chocolate, and serve with crisp little biscuits.



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Cut the pomegranates in half, scoop out the seeds and discard the bitter yellow pith. Reserve 2-3 tablespoons of the most brilliantly coloured seeds for garnish, wrapping them in film to keep them fresh. Put the rest into a piece of butter muslin, twist tightly, hold it over a bowl and wring and squeeze hard with your hands to extract as much juice as you can. Sprinkle on the gelatine powder and reserve.

Simmer the cranberries gently with 400ml water in a covered pan. Crush lightly when tender then tip the contents of the pan into a sieve suspended over a bowl containing 100g caster sugar (or more for a sweetish jelly) and leave to drip for half an hour.

Warm the pomegranate juice gently until the gelatine powder has dissolved and the liquid is clear. Stir it into the cranberry juice and measure. Top up with a splash of kirsch (or a few drops of rose water) and cold water as necessary to make 700-750ml in total. Pour into individual small glasses, cover and chill until set to a soft tremulous jelly.

Serve scattered with the

remaining 300ml port and leave to soften and swell for 20 minutes. Warm the gelatine gently to melt it. Away from the heat, gradually stir in the warm spiced port and tea liquid, then stir the amalgam into the remaining 300ml port.

Pour the aromatic liquor into small glasses, cover and chill until softly set.

Serve at room temperature topped with halved prunes or slices of marion glace, alone or with cream.

VICTORIAN PORT.

WINE JELLY

(serves 6-8)

As dark, handsome and sweet as the devil is supposed to be, this is a decidedly grown-up jelly with a distinct kick to it - small wonder when you realise that very little of the port is heated to drive off its alcohol content.

550ml port - say 10-year-old tawny; 200ml Darjeeling or Ceylon tea; 150g granulated sugar; 1 cinnamon stick, bruised; the finely grated zest of a large orange; 1 sachet or 1 tablespoon gelatine powder; 4-6 plump juicy prunes or 2-3 marrows glaces to decorate.

Bring very slowly to simmering point 200ml port and leave to soften and swell for 20 minutes. Warm the gelatine gently until the gelatine powder has dissolved and the liquid is clear. Stir it into the cranberry juice and measure. Top up with a splash of kirsch (or a few drops of rose water) and cold water as necessary to make 700-750ml in total. Pour into individual small glasses, cover and chill until set to a soft tremulous jelly.

Serve scattered with the

remaining 300ml port and leave to soften and swell for 20 minutes. Warm the gelatine gently to melt it. Away from the heat, gradually stir in the warm spiced port and tea liquid, then stir the amalgam into the remaining 300ml port.

Pour the aromatic liquor into small glasses, cover and chill until softly set.

Serve at room temperature topped with halved prunes or slices of marion glace, alone or with cream.

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Eating out

Feasts in the Middle East

Nicholas Woodsworth goes in search of freshly-fried falafels and mouth-watering mezze

In England, eating on the run - breaking a busy schedule or journey to wof down a quick bite - is not often a happy experience. Ever since eating a meal at a motorway restaurant in Watford Gap - saddle of lamb, with the accent on saddle - I know why the place surfaces from time to time in comedy routines or sad laments on the decline of western civilisation.

But what about eastern civilisation? How does the busy European traveller treat his stomach as he zips between souks, street stalls and strange cities on the far side of Suez? Not long ago I returned from a tour of the Middle East, and from my travel journal offer these humoumous-stained pages.

■ The Great Falafel Hunt, Jerusalem

The warren of streets in Jerusalem's walled city are packed with more history, more colour, more religious sites than any other in the world. They are also packed with more tourists, each trying to see as much as possible in no time at all.

It is hardly surprising, then, that the falafel flourishes here. There may be no celestial golden arches hovering over the falafel stands of Jerusalem, but this fastests-of-foods is the Middle East's triumphant answer to the Big Mac.

Not all falafels deserve songs of praise. All have the same basic make-up - deep-fried balls of chick-pea flour are stuffed into unleavened pitta bread and garnished with condiments - but no two falafel makers have quite the same way of going about their business. Among aficionados the debate about where to get the best in town rages on.

Some claim it is in the herbs in the chick-pea batter that does the trick. Others say hot falafels freshly fried in clean oil make all the difference. Certainly these things count, but for me it is the garnish that tips the balance.

Some so-called falafel-makers cavalierly toss in chopped cabbage and let

it go at that. Prouder men, however, will build you a succulent construction so massive that it is difficult to use Texan-speak to wrap your jaws around it. Pickled peppers, carrots and cauliflower, stewed aubergine, tomatoes, cucumbers, onions, red chilli sauce, dill pickles, and the same seed paste known as *tahini* are just some of the condiments that will fall into your lap from a well-filled falafel.

I cannot tell you the name of my favourite stand in Jerusalem, for it is tiny and has none. Nor the name of the owner, for it is so busy there is a continuously changing roster of brothers, uncles, cousins and nephews busy behind the counter.

But it is easy to find - it sits in the Arab quarter at the fork at the bottom of the stone stairs inside the Damascus Gate. Just follow the crowd and the occasional pickle fallen by the wayside.

■ The Al-Aqsa Restaurant, Nablus

Ham and eggs are not on the menu in any Moslem restaurant, of course, so what do they eat for breakfast in Nablus, the biggest town on the West Bank? Like Egyptians, I found out, Palestinians are full of beans in the morning.

In the Al-Aqsa, a popular morning spot, I watched moustachioed, white-jacketed Hazim go through the same practised routine. Repeatedly dipping a long-handled ladle into the narrow neck of a beaten metal urn, he filled bowl after bowl with steaming *foul*, a thick porridge of fava beans and a shot of *tahini*. *Foul* is the culinary standby of the Middle East, and offered everywhere and at any hour. But served fresh, as creamy as olive oil, it is tangy with garlic and

lemon juice, it gives the morning a special zest. I defy anyone even to think of ham and eggs after a breakfast at the Al-Aqsa.

■ The Al-Quds pastry shop, Amman

Amman is a modern, not terribly interesting city - walking its streets at night is like eternally trudging London's Edgware Road. Things brightened up considerably, however, when I gazed through a display window on to a vast circular tray of one of the Levant's most attractive sweets, *knafa*.

Rose water, pine nuts, pistachios -

The soldiers sit day after day in the country that offers the best cuisine in the Middle East. And what do they eat?

no matter what the additives, most Middle-Eastern sweets are based on the same technique, the soaking of millefeuille pastry in honey or heavy syrup. They are generally too sweet for western tastes. But *knafa* is different.

The baked, shredded wheat that layers its surface is indeed drenched in syrup. Underneath it, however, lies a thick bed of creamy, half-melted, slightly salty-tasting goat's cheese.

Excellent, too, is *liban* - thick yoghurt served plain, or flavoured with garlic or hot peppers. Avocado puree has its enthusiasts. So do artichoke hearts in oil. *Tahini* salad with walnuts is popular.

The list is endless. Surely no one could order again after such a feast. I thought as I sat back and gazed across the Gulf to the mountains of the Sinai. Then I saw a grilled, blackened sea bream, a fragrant delicacy from the Red Sea, arrive at the table next to mine. I thought once more, and ordered again.

■ Zaki's, Akko

Akko, the old medieval port of Acre on Israel's Mediterranean coast, can be a damp and bone-chilling place on cold winter nights. But Zaki, who runs a small *shukra* place down near the water, had the perfect remedy - *saghab*.

Saghab is a thick, sweet, milky winter drink, the Arab equivalent of cocoa. It is more substantial, though, for into it one stirs crushed nuts, raisins and grated coconut. I find it even

more comforting than cocoa. If the secret of *saghab* ever gets out to the west, Zaki agrees, Cadbury might go under.

■ Finnish Battalion HQ mess, south Lebanon

The Finnish soldiers with whom I spent a couple of days in Israel's heavily-militarised Lebanon security zone are nice fellows, but doomed to eternal blandness.

There they sit day after day in the country that offers the best cuisine in the entire Middle East. And what do they eat? Milk and cookies, oat porridge, rye-flour crackers, soupy stews and starchy soups of no determinable taste.

I am not surprised, frankly, that they have failed to solve the country's problems.

■ Bardolia village, West Bank

Back in Palestinian country, I was happy to slow down long enough to be invited to eat *mansaf* at the home of my friend Al.

Mansaf is the traditional speciality of the Bedouin, a great feast of lamb and saffron rice drenched in yoghurt sauce. It is usually eaten at weddings, births or other happy celebrations uniting friends, families, or whole villages.

Offered by a desert people who have often had to endure long periods of scarcity, it is a meal of conspicuous consumption - I know one Palestinian woman who claims her uncle, a small and elderly man, once ate an entire lamb single-handed at a village *mansaf* feast.

Our dinner was not quite so sybaritic an affair, being limited merely to Al's parents and his 16 brothers and sisters. Nonetheless, as the males of the family sat around an enormous, single, mounted platter and tore strips of bread off unleavened loaves the size of car tyres, I cast my mind back to another, less sumptuous meal of lamb. Watford Gap, I seemed to me, lay very far away.

Finally, there is a delicious Springbank "Hundred Proof", a 12-year-old whisky with lots of complexity and a nice orange-like aroma (22.75). Here is a malt which was clearly at one with its cask.

Giles MacDonogh

■ The third St Moritz festival takes place next month from February 2-10. Chefs from Asia, Europe and Africa will be cooking at eight participating restaurants in the Swiss resort.

The Suvretta House Hotel is hosting chefs from the Raffles in Singapore for the duration of this gourmet week. A variety of gourmet packages, including a "safari" when guests can enjoy one course at each of the participating hotels, with transfers between each are on offer. For reservations tel: 00 41 82 211 21.

JJ

Appetisers

Coming soon: Lunch for a Fiver

Lunch for a Fiver starts next Saturday, January 13, when UK readers of Weekend FT will be given details of participating restaurants.

This year there are a record number taking part over a wider area of England, Scotland and Wales. It is hoped it will add value and enliven what might otherwise be a dull January fortnight.

There will be cash prizes for those restaurants judged by FT readers to have offered the best in each price category. Lunch for a Fiver (£7.50 and £10) will run from Monday January 15 to Friday January 26.

Nicholas Lander

■ Now I wonder where London's Savoy Group got this idea from? Lunch or dinner for £8 (including VAT) throughout January at Simpson's-in-the-

Strand (tel 0171-340 6888), Bras-serie St Quentin (0171-539 9005) and Grill St Quentin (0171-581 8377) and breakfast for £8 at Simpson's.

If booking for dinner you must sit down before 8pm and ensure there are no more than eight people in your party.

Jill James

■ A photograph of a chef clutching a duck and a chicken (live) to his bosom is unlikely to have vegetarians queuing up at The Savoy's River Restaurant (except in protest).

But, with the lad for guest chefs rampant in the London

four-course dinner £25. (Tel: 0171-836 4243 for details). I hope the cooking's good: I dread to think what puns on the chef's good name will otherwise be invoked by London's restaurant critics.

■ Glenmorangie distillery in Tain on the Dornoch Firth is continuing its policy of "finishing" some batches of whisky in different casks. This seems to be recreating the experiments of those canny Scottish grocers who first discovered that an old cask could be put to good use where young whisky was concerned.

Two years ago we had a Glenmorangie finished in old port casks. This year there is a 1978 housed five years in an old Hermitage cask from Tain in the Rhone Valley, and another which seems to have spent rather less time in a Madeira cask.

Of the two I found the Tain cask had imparted a certain pleasing sweetness, but that the madeira vessel had failed to contribute any appreciable refinement to the whisky. Both are available from Oddbins at £34.75.

If you are re-stocking your drinks cabinet for Burns night

later this month, Oddbins has a mixed bag of malts. The 10-year-old Glen Grant smells of rancid butter, which is disagreeable, but the Glen Grant 1972 (£34.95) is wonderfully peaty for a Speyside.

Quite a surprise. The whisky harks back to a day when Speyside was less frightened of peat than it is now. Three whiskies come from Hart Brothers' stock: a good heathery 1976 from Benromach on Speyside (£29.75

TRAVEL

Dhow racing – an ancient contest revived

Dubai's ruling Maktoum family is backing a traditional Arab sport with substantial cash prizes – and kudos. Keith Wheatley reports

Health and safety inspectors never visit the dhow yards of Abu Dhabi. They would froth at the great humming bandsaws, which small boys push and heave to turn teak logs into planking and foam at the nonchalant shipwrights who hold timber in their feet while cutting rebates with razor-sharp chisels.

For a visitor accustomed to a European marine industry of carbon fibre and computer-aided design it is like stepping into a time capsule. There are no plans or blueprints. Each master craftsman carries the dimensions and lines of his ideal vessel in his head.

He will also have a set of wooden templates, for the ribs of the dhow. Yet because they are hand-sawn from single pieces of timber, these inevitably vary a good deal. Each boat is unique, yet in essence identical to those built centuries ago.

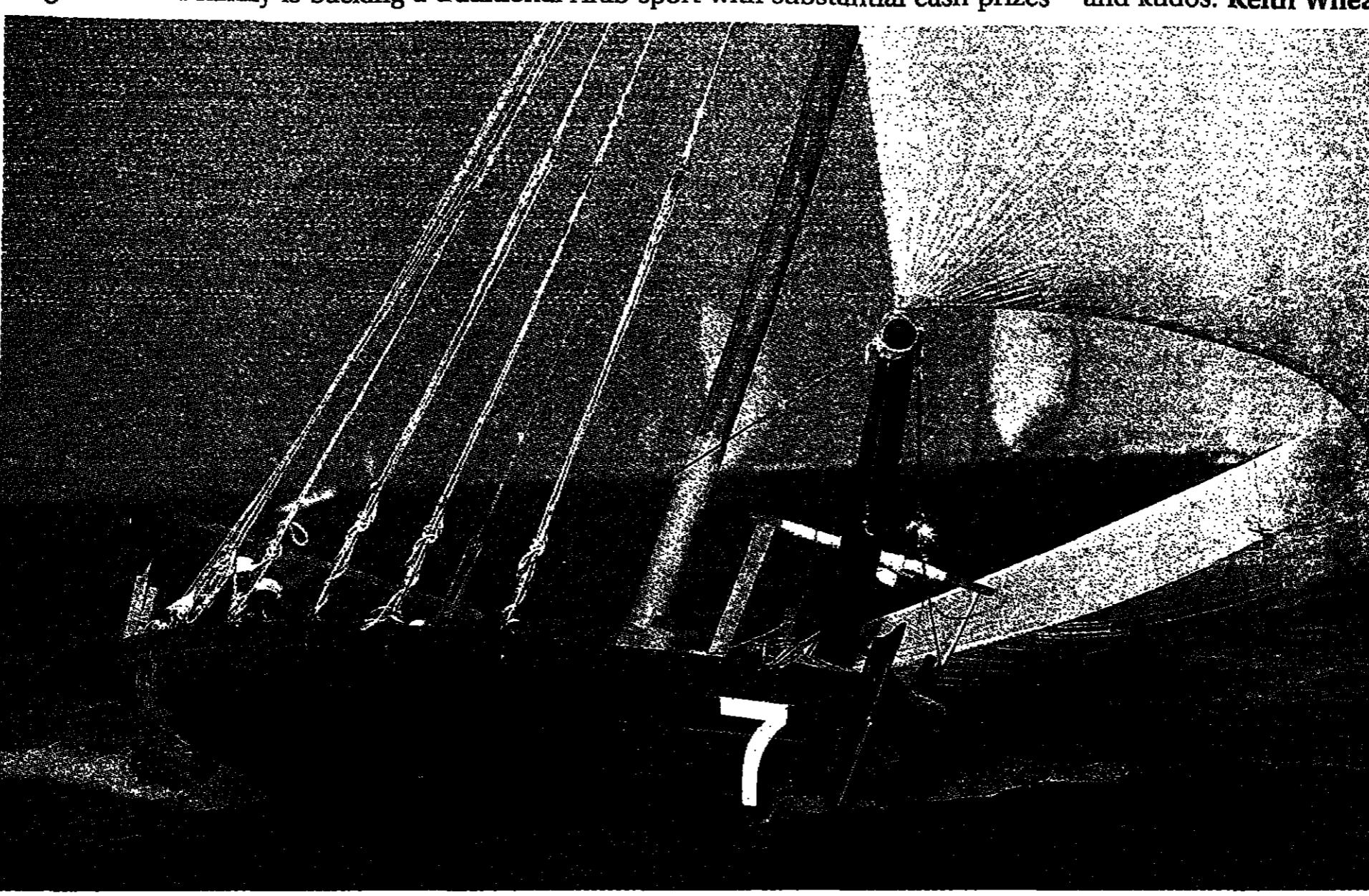
Until a few years ago dhow building in the Arabian Gulf was in decline. The swift wooden boats which had plied the turquoise sea virtually unchanged for thousands of years were becoming unloved. Oil-rich sheikhs were turning to powerboats and even jet-skis for aquatic fun.

This decline was turned into revival by the decision of Dubai's ruling Maktoum family to fund a revival of the ancient sport of racing traditional dhows.

Cash prizes of up to £30,000 for the winner made the game attractive, but even more important in a hierarchical society such as the United Arab Emirates, was the kudos the Maktoum's endorsement brought to the racing.

The Abu Dhabi dhow yard is little more than a patch of sand on the edge of the creek. Each boat is constructed under a shade awning to ease the heat of the Gulf sun but there are no slipways or cranes. Everything is human muscle-power – bar the whine of the ubiquitous electric drill.

It takes 10 carpenters, almost all from Pakistan, about two months to build a standard 43ft dhow. They drift back to the half-planked hull quietly as the muezzin calls an end to after-



Arab dhows: each boat is unique, yet in essence identical to those built centuries ago

boats sit on the start line with the sails dropped, waiting for the smoke flare that will signal the off. There is none of the frantic pre-start manoeuvring that characterises western yacht racing.

These dhows are straight-line speed machines and sudden turns to tack or gybe are not part of their repertoire. When the giant sails are hoisted they make a 20-mile course due south, with an 18-knot wind freshening.

Saeed Hareb, director of the Dubai International Marine Club who organises the racing, has been anxious about the weather. While dhows may be stunning to look at, they are not stable. A western-style yacht of similar size would have a keel with several tonnes of lead in it; these Gulf fliers gain their ballast safety from 30 or so 30kg bags of sand from the desert.

Out of the 10 crew on each dhow, one steers, another controls the sail and the remainder move sandbags and their bodies to control stability. "If the wind goes light they will dump the sand overboard," explains Hareb. "The problem then comes if the wind strengthens and the boat is hugely unstable."

During the two-hour race there are several capsize. The dhows are too big and heavy to be righted in the sea and must be towed to the beach, their crews rescued by the small launch that accompanies each race boat. Safety precautions are meticulous.

The finish and prizegiving is much like any boat-race the world over.

Skippers gesticulate fiercely, talking of windshifts and over-laps lost, of sudden gains in speed by dhows with a new sail, or an expensive carbon fibre boom. On board the boats themselves, crews light up small spirit stoves and prepare an evening meal. Some will be sailing back to Sharjah or even Abu Dhabi at first light. Then it is a month or so of tuning and preparation before the next race. Abdullah and his crew have had a poor result in their old boat but they hope to see Sren launched within a month. Then the Dubai hotshots can watch out.

noon prayers from the minaret of the nearby mosque and foreman Syed Abdul Haq blasts on his referee-style whistle to signal a return to work.

Three or four will be working with adzes, a type of delicate hand axe used in shipbuilding since mankind first went afloat, to shape the main timbers. The others will shape and cut with small hand-saws and a range of chisels.

The carpenter's mallet is

unknown here, a short length of solid steel pipe being the preferred tool for hammering. A black Mercedes saloon, windows curtained in the local style, snakes through the dust of the dhow yard. Nasser Abdullah and his friends have arrived to check on the progress of their new dhow *Sren*.

They gaze at her curves and lines as intently as any racing yacht patron from Cowes or Newport, Rhode Island. She

will be the second boat they have owned and raced as a group, and they have made what they hope will be some big improvements in the finer details of construction.

Abdullah explains that they had to wait nearly six months to have the master shipwright with the best reputation for fast dhows supervise the construction of their boat. They have also specified that the thickness of the planking be

only a centimetre or so, more than 50 per cent thinner than in order to save weight.

Old-timers insist that such changes make the dhows too light and flexible for true seaworthiness. Abdullah and his friends laugh off the forces of reaction. They are all in their mid-20s and are wealthy enough to afford the 70,000 dirhams (about £14,000) that the boat will cost when launched.

When I am able to provide the fax number of Carboopers, near Southampton, a true "boat-bond" is forged. Later that night the Abu Dhabi contingent is hitching the trailers

that carry the racing dhows for the two-hour drive to Dubai. The next day's race is the biggest of the season, with nearly a 100 boats expected to compete. The start line is a couple of miles off Port Rashid, cargo gateway to Dubai and one of the busiest harbours in the Middle East.

Normally one might expect to see container ships moving in and out of the area but the dhow racing has priority. The

Skiing / Arnie Wilson

Plastic slopes get a laugh

Back in the years between the wars, the Swiss thought the British habit of skiing downhill instead of across country was eccentric. So one can imagine how the Austrians felt when they first encountered the news that their idol, ski racer Franz Klammer, was teaching British skiers on plastic slopes.

"Plastic?" they asked incredulously. "What is a plastic slope, Franz?" The same thing is happening today to Sergio Cis, an Italian ex-racer who now runs the ski school at Beckton Alp, a snowball throw from London's City airport. "Back home in the Dolomites at my local ski resort of Madonna di Campiglio, they're always laughing at me when I tell them I teach skiing on plastic," he says.

"Artificial slopes run best in the rain," he says, "since the friction is considerably reduced, and the water has a cooling effect. This led to the introduction of sprinkler and misting systems."

"Racers try to improve on this by using waxes and other lubricants on their skis. As well as ordinary ski-rubbing waxes, washing-up liquids at various – and often secret – dilutions are sprayed on top of this, and the skis are kept in the shade until needed. Sometimes racers use furniture polishes and on a race day, the top of the slope can smell like a furniture polish factory."

"Beyond this, you start getting into the secret realm of graphite waxes and graphite powder. You know when these are being used because racers leave long grey streaks in their tracks."

Disabled skiers also train and even race on dry slopes. Amsden recalls a one-legged skier with a ski attached to his artificial leg who was unable to absorb a large bump. "He flew about 15ft before landing, tearing off his artificial leg, which – still attached to the ski – continued merrily down the slope, shocking those spectators who were unaware of his false leg. The rest of us found it difficult not to laugh."

I remember Klammer inviting me to race for an opposing team on the dry slopes at Gloucester. Forgetting how crucial good technique was, I fell during my first turn and slithered from top to bottom of my posterior, providing considerable mirth to onlookers.

The bigger ski centres, with slopes of 100 metres or more, run a comprehensive calendar of slalom and dual slalom races between April and

November, with championships in England, Wales and Ireland, grand prix events, seeding races and children's events.

Adrian Amsden, secretary to Cynghor Sgôr Cymru, the Ski Council of Wales, claims there are more artificial slopes per head of population in Wales than anywhere in Britain, and proudly points out that Dave Berry, the current British artificial slope champion, is trained at Pontypool.

Says Amsden: "In my view, any technique can be introduced and improved on an artificial slope. I include langlauf, Telemark, mogul skiing – providing, of course, that the slope has a mogul-field – and even powder."

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BOOKS

Modern Italy, warts and all

Robert Graham enjoys an optimistic view in the best tradition of foreign commentators

Patrick McCarthy has been remarkably nimble in producing a book on the upheavals of contemporary Italy. However, being a professor at Johns Hopkins University's centre in Bologna, he has had a flying start. The events have been unfurling on his doorstep.

His point of departure is the establishment of the new Italian republic after the second world war in the wake of Mussolini's fascist era; and he closes in 1984 with the end of Silvio Berlusconi's brief experience as prime minister.

McCarthy obviously knows Italy well, and just as important, he clearly likes the country - warts and all. He rightly notes for instance that Italy's defects are often the reverse side of its merits, citing how the absent Italian state has helped spawn a race of dynamic small entrepreneurs. These elements imbue his analysis both with depth and balance, and as a result he has produced a highly perceptive book on contemporary Italy.

With an essayist's approach he explains the formation of Italy's post-war politico-economic system and why it con-

tained the seeds of its destruction. In this way, it is strikingly easy to see how rotten the system had become by the time the anti-corruption magistrates appeared on the scene in 1992 with their "clean hands" campaign.

Although the magistrates have now exposed the extraordinary degree of graft which permeated business and politics, McCarthy resists the temptation to write off successive Christian Democrat-led governments simply because they were corrupt. The uninterrupted Christian Democrat (DC) rule from 1946-1992 was a period during which Italy transformed from a rural emigrant economy into the world's fifth industrial nation.

Italy's current travails should not obscure the DC's achievement of fostering such impressive "unbalanced" growth. At the root of Italy's problems has been - and remains - a weak state, he maintains. McCarthy lays considerable

blame on the Vatican for this, at least in the immediate aftermath of the fascist era. The vacuum left by Mussolini's fascism was filled by the Vatican which encouraged the creation of the DC as a new catholic democratic party. "The supremacy of the Vatican over the DC was the prime cause of the new state's weakness... Instead of receiving legitimacy through representation and efficiency, it received legitimacy from the papacy."

During the early post-war years, the DC had to cope with an exacting Pope XII, a powerful and discontented northern industrial lobby, an impoverished mezzogiorno and implacable Communist Party (PCI). Perhaps not surprisingly the DC were defensive and sought to protect themselves through a network of patronage and "clientelism". This clientelism was encouraged by the endorsement of a state-dominated economy which enabled the politicians to exercise con-

trol over banking and wide sectors of commerce and industry. The instability of governments was more apparent than real. Changes were necessary, not to pursue new policies but merely rebalance factional rivalries and allow others a slice of patronage. McCarthy avoids demonising

THE CRISIS OF THE ITALIAN STATE
by Patrick McCarthy
Macmillan £15, 230 pages

the impact of the fierce anti-communism of successive Cold War administrations in the US. But he insists that American interference damaged Italian political culture by blocking the alteration of power and so entrenching the privileges of the ruling élite behind the shield of anti-communism. Italy became the sole European democracy where the left was excluded from government.

The US almost certainly over-estimated the strength of the PCI. But their opposition to the idea of the PCI entering the government in the late 1970s - the so-called "historic compromise" - was consistent.

McCarthy believes the PCI's own indecision and the DC's opposition to the deal were equally important in sabotaging the historic compromise. For the DC it would have meant cutting in another partner on the spoils of office.

Yet even after the threat from communism subsided and the 1980s economic boom dissipated, Italy's once powerful working-class movement, anti-communism remained a potent vote gatherer. The rise of Bettino Craxi's Socialist Party to become a major partner in government during the 1980s was built on the back of anti-communism. In this respect Enrico Berlinguer, the charismatic PCI leader, may have successfully occupied the high moral ground but he

failed to dispel the communist bogey.

McCarthy sees the collapse of the post-war political system due to a mix of external and internal pressures. From outside the fall of the Berlin Wall exposed the bankruptcy of communism. In removing the communist threat, the DC and their allies lost their main rationale and were seen to have no project other than nakedly clinging to power. At home the system had become weakened by complacency and the inability to reform. The powers of patronage were also undermined by the introduction of budgetary austerity to offset years of irresponsible debt-funded public spending.

Into this growing vacuum

stepped the populist Northern League backed by the small businessmen of Italy's industrial heartland. In the early 1990s this was the first genuinely new party which set an agenda for reform. The path for the magistrates' assault on

Why Canton came to Kew

The length of the Thames between Hampton Court and Chiswick, which encompasses the garden at Kew, has been deemed the cradle of the English landscape movement. Yet a current advertising campaign exhorts us to leave "a legacy to Kew" in order to provide "the food and medicine of tomorrow", emphasising research into the medicinal and educational benefits from plants. No mention here of its grand "Capability" Brown landscapes or soul-restoring floral displays; rather its scientific heritage is featured in this earnest millennium appeal.

Indeed, it is easy to overlook these gardens' long and varied history while sampling its delights. This weighty and authoritative account features on its jacket a view of Kew's pagoda - surely one of the world's great follies - in the morning mist. The pagoda can also serve as illustration of the rich background embodied in Kew's familiar features.

In 1757 when George, Prince of Wales needed someone to instruct him about architecture, his tutor was Sir William Chambers, whose *Treatise on Civil Architecture* emerged from the tutorials (a cut above the current royal architectural magazine, *Perspectives*). The prince employs me three mornings a week to teach him architecture," Chambers wrote: "the building and other decorations at Kew fill up the remaining time." Much of this

KEW: THE HISTORY OF THE ROYAL BOTANIC GARDENS
by Ray Desmond
Harvill £25, 466 pages

remaining time was filled by the Dowager Princess of Wales, Augusta, who was "for ever adding new embellishments at Kew", including its first physic garden.

Chambers favoured the exotic and did not admire "Capability" Brown, denouncing the obliteration of mature gardens "to make room for a little grass, and a few American weeds". As a member of the Swedish East India Company he had made two voyages to China, taking careful measured drawings of buildings in Canton including a pagoda.

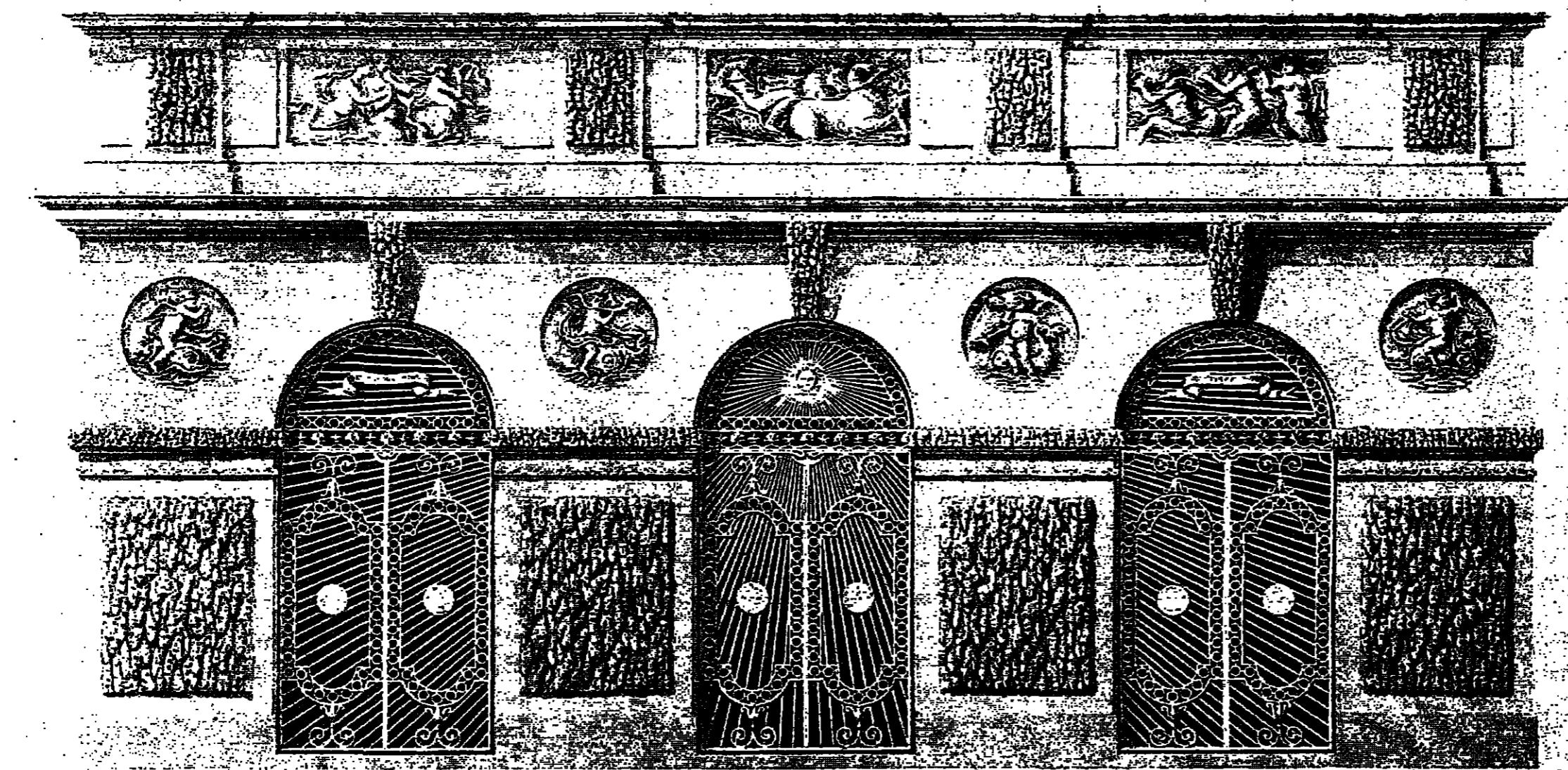
During the previous century, Louis XIV had erected the Trianon de Porcelaine at Versailles, decorated in a mistaken imitation of the Nanking pagoda, the first Chinese feature to adorn any European garden. Stowe's modest painted Chinese hut installed on its pond in 1738 was the first English landscape to boast such a curiosity. The vogue for chinoiserie was at its height when Chambers published *Designs for Chinese Buildings* in 1757.

Kew's pagoda, one of the few survivors of Chambers' Chinese phase, was completed in 1761 and soars 163 feet into the air. It was the most accurate copy of a Chinese building to be seen in Europe at the time, although it reflected classicism and the rococo as much as it did authentic Chinese architecture.

It is impossible to do justice to the comprehensiveness of both the text and copious illustrations of this superbly researched and beautifully produced book. Ray Desmond, a former librarian at Kew and author of several books about botany and botanists, has used both original archives and all conceivable secondary sources in this definitive account.

Alexander Pope was one of Kew's original consultants, and its history now extends almost 250 years beyond the time when Chambers inflicted his pagoda upon an unwary public. It encompasses George III's confinement at Kew during his first serious attack of porphyria, the attempt to introduce Pacific breadfruit to the West Indies in Captain Bligh's ill-fated *Bounty*, years of neglect from royal indifference and Treasury economies, collaboration with Charles Darwin, Crimean war army pensioners as gatekeepers, suffragettes smashing the orchid house and wantonly destroying plants, Palm House terrace planted with onions during the Great War, and - full circle from Princess Augusta - the opening of the Princess of Wales Conservatory in 1987.

Ann Geneva



Folly of a sun-king: The Grotto of Thétis at Versailles, built by the young Louis XIV to hold some of the most splendid banquets of his reign. It was demolished just 20 years after its construction to make way for a new wing for the château. Taken from "Pleasure Pavilions and Follies: In the Gardens of the Ancien Régime" by Bernd H. Dams and Andrew Zega (Flammarion, £25)

Distilled poetics of description

Nigel Spivey admires an academic's approach to overcoming the speechlessness bequeathed by violence

To profess great literature is not to produce it. One is grateful simply to comprehend what a modern academic writes, let alone admire it. So it is an almost begrimed admission that George Steiner's fiction has pertinence, verve, and candid grandeur. He ought to be over-qualified to contrive such work. (As Anthony Burgess said of Steiner: "His problem is that he knows too much".)

The magnificence here does not stem from quantity. Steiner published the title story of this present accumulation in 1956, and his entire output over four decades hardly amounts to a single blitz by Anthony Burgess. But two features of this limited production mark its importance. As befits his name, Steiner's style is flinty. His words are hard-worked and precise, yet not laboured nor pedantic. Though just occasionally a reader might feel that the care of delicate meanings, or some Latin tag, has passed too unrealistically from the author to his characters, the distilled poetics

of dialogue and description assist and reward close attention.

"No poetry after Auschwitz": Theodor Adorno's dictum has been extended by Steiner in the past, to the point where he has suggested that the horrors of the Holocaust were so huge that they left us beguiled not only for poetry and other literary forms, but words themselves. Here however we see Steiner's own attempts to overcome the speechlessness bequeathed by violence. Perhaps Adorno's remark was always as silly as saying, for example, "no poetry after the Somme"; for while it must be true, as Primo Levi saw (first-hand), that Auschwitz and the other camps institutionally obliterated the distinction between cultivated and uncultivated minds, outrage will out. A voice is ultimately found.

So although Steiner himself was not a victim, and has never been a fighting man, his evocations of the terrible are bleakly convincing. Characters are dragged off the pages with gaping mouths, and dripping stumps where their fingernails were;

moments of betrayal, indifference and recognition are dramatised with passionate accuracy. There is understatement, but not silence.

The longest story is "The Portage to San Cristobel of A.H.", an unhappy title for a fantasy which swells into a thunderous essay on the mind of the Holocaust's true author. Hitler is imagined, snarled but alive, and unrepentant, in the

but we can understand why they might still retain this bitten-off, fragmentary tone. In the words of one ex-combatant character to his psychiatrist, "wars kill a long time after". As Steiner traces them, the consequences of violence can never be fully wrapped in the literary package. Two tales in particular trace this lingering destructiveness.

In "Return No More", a former Wehrmacht officer limps back to the house in Normandy where he was once billeted. He proposes marriage to the sister of a man whom he had executed. Somehow, in the complex of guilt and reconciliation, she accepts. But the wedding itself hosts revenge. It was a return too soon.

Then, in "Sweet Mars", the joint fortunes of two officers in Montgomery's desert campaigns are traced, both before and after the war. Generally regarded as impeccably "European" in his sensibilities, Steiner here shows himself perfectly attuned to the lingo and banter of British public school types; and he understands their sexuality too. The range of the story, the force of its turns

and protagonists, convince one that Steiner could sustain a full novel - if he so chose.

The most evidently academic piece of the collection is "Proofs". A cross-hatching of plot and setting hardly disguises its function as a commentary on the apparent eclipse of communism. A committed Italian Marxist watches crowds dancing over the Berlin Wall on his television. California gushes past the iron Curtain. Heaven on earth becomes a well-stocked shopping-mall. Is Steiner's own voice collected in the expressed distaste and suspicion of the unrepentant Marxist? Capitalism, he declares, lets people stow in their well-being. "But that", he continues, "is to hold man in utter contempt. It is to turn history into a graveyard for used cars."

Intellectuals can never concede the universal gratification of Coca-Cola. But they can at least try to get their own ideas into the marketplace. And if merit is measured by nothing more than royalties, then this book deserves to earn Steiner a vast new batch of followers.



George Steiner: flinty precision

Short stories/Joan Smith

Pyrotechnic but pitiless

Wicked Women, the reader meets them all again, recognising at once their pained self-absorption and the build-up of tension which inevitably leads to explosive release.

Weldon is an enthusiastic observer of social trends and the stories are bang up-to-date. The collection opens with "End of the Line", in which a nymphomaniac New Age journalist pursues a sacked TV presenter in his rural retreat, seducing him with sex and an offer to write a biography which will re-establish his career. The peripheral characters include the pundit's gay son and daughter, the latter apparently

contemplating a sex-change operation which will turn her into a man.

Elsewhere in the book, in "Through a Dustbin, Darkly", the targets for Weldon's satire are a group of artists whose tireless self-promotion is revealed as a form of parasitism. Their careers are littered with discarded mistresses and the latest incumbent is on the verge of being gobble up emotionally and financially until, in a wildly self-destructive gesture, she strikes back with an arson attack.

For Weldon's admirers, who include the novelist John Irving, what we are being offered

aging people without insight into their petty motivations. Yet it is hard to square this estimate of Weldon's achievement as a writer with plots and characters which are no more than repetitions in new settings and trendy clothes; above all, her emotional range is limited to pyrotechnic but essentially dead-end feelings of anger, jealousy and a thirst for revenge.

In recent years, and to a painfully obvious degree in Wicked Women, Weldon's authorial voice has not been that of an ironist so much as someone who has fallen into the habit of sarcasm. There are

no subtleties here, no surprises or insights; the tone is arch, self-congratulatory, and carries that note of certainty which is inimical to risk and originality in fiction. More and more, Weldon's success begins to look like a happy accident of timing: the angry young woman who began her writing career by giving voice to the frustrations of dispossessed mothers, wives and daughters has turned out, in her mature years, to have little else in her repertoire.

Susanna Tamaro is currently the female novelist of her generation - which is to say under 40 - in Italy. Her second novel

Va' dove ti porta il cuore (published in English this year as *Follow Your Heart*) was a runaway success, diving straight into the subject of tortured family relationships in a country where such ties have not yet unravelled quite so spectacularly as they have in Britain.

Per Voce Sola (*For Solo Voice*) is a collection of short stories written before *Follow Your Heart*. The voices are emotional, that of a young girl from eastern Europe forced into prostitution or a dying woman suffused by guilt because she gave up her illegitimate child for adoption many years before. They have a mechanical quality, as though Tamaro's imagination has had to strain too hard to reproduce their feelings: the collection is interesting more for what it reveals about Tamaro's development as a storyteller than in its own right.

Ann Geneva

BOOKS

When Ken Saro-Wiwa, the writer and campaigner who tried to win justice for the horrendously persecuted Ogoni people of Nigeria, was hanged, with eight co-defendants, in a mass execution by Nigeria's military government last November, many people in the west would have had only a hazy understanding of the man and his mission. It is this that gives Saro-Wiwa's last book, which is subtitled *A Detention Diary*, a terrible poignancy, for the story of his life and death is a particularly African tragedy.

There are various reasons for the plight of the Ogoni, a small tribe living in part of the fertile Niger

On blacks' inhumanity to blacks

An impressive man: Michael Thompson-Noel on Ken Saro-Wiwa's writings from prison

River delta. Before the advent of British colonialism, they had been proud, prosperous and unconquered.

Unfortunately for them, oil was discovered on their territory in 1958, though in more than 30 years, during which the Ogoni lands have provided Nigeria with total oil revenues estimated at more than \$30bn, the Ogoni themselves were said by Saro-Wiwa to have received nothing: no representation at all in

any of Nigeria's federal institutions; no pipe-borne water, no electricity, no jobs in federal, state, or public or private sector companies - nothing.

As a result, the people of one of the richest areas of Nigeria have been virtually enslaved by what Saro-Wiwa called "absolute poverty and desolation". They lack health, social or educational facilities, and have suffered an ecological catastrophe, as well as severe land and

involved, and was loathed profoundly by Saro-Wiwa - but those who run what Saro-Wiwa called the modern slave-state of Nigeria, the "indigenous colonisers": those who capitalised on the inertness of the masses and on the greed of the elite and so reduced Nigeria's people to "intolerable levels of existence."

It is this background that leads to Saro-Wiwa's key assertion: his anguished and chilling allegation

that the Ogoni have been perse-

cuted because of "the black man's inhumanity to his own kind, the trait responsible for the retardation of all blacks."

Ken Saro-Wiwa must have been an impressive, boundlessly energetic man: businessman, publisher, celebrated and trenchant political journalist, and an inexhaustible writer of novels, plays, poems and children's books, who threw himself into the Ogoni's cause and soon became its figurehead.

A Month and a Day covers his penultimate period of detention in 1993, and includes a full account of the Ogoni's struggle. In an introduction William Boyd, the writer who was a good friend of Saro-Wiwa's, says that from time to time Saro-Wiwa managed to smuggle letters out of prison.

"One of the last letters I received", writes Boyd, "ended this way. I'm in good spirits... There's no doubt that my idea will succeed in time, but I'll have to bear the pain of the moment... I'm mentally prepared for the worst, but hopeful for the best. I think I have the moral victory".

One wonders what Nigeria's rulers think of that.

Brave woman of some importance

Even without Kafka the story of Milena would have appeared in one form or another, argues Anthony Grayling

Famous lives shed fire on to the other lives they touch, illuminating them and rescuing them for history. Peering back into the shadows of the past, we see blazing events and people there, like bonfires, irradiating the faces around their circumference. One of the faces lit by the blaze was that of Franz Kafka was the woman he had an epistolatory love affair with, Milena Jesenska.

In this life of Milena, Mary Hockaday proves how fortunate it is that emblematic lives can be rescued in this way. Even without Kafka, the story of Milena would have appeared in some form, even if only as a footnote to other events, because she was a striking figure, one of the icons of the Habsburg aftermath in Prague and Vienna.

KAFKA, LOVE, AND COURAGE: THE LIFE OF MILENA JESSENSKA
by Mary Hockaday
André Deutsch £17.99, 255 pages

variously scandalous, respected, admired, and at last - in Ravensbrück concentration camp, where she died - adulated by some for her courage and resistance.

Milena was tall and beautiful. As a teenager she was a familiar figure in Prague, striding its streets with her girlfriends, flirting in its cafés, getting into trouble for shopping. Her disciplinarian father could not accept her spending nights with her lover. Unable to exercise control, he had her committed to an asylum. She left it to marry her lover and move to Vienna.

It was in Vienna that Milena received the celebrated letters from Kafka which constitute an important addition to his published oeuvre. The letters are a passionate testament to their feeling of deep mutual need and sympathy. But on the few occasions they spent time together physically, the result was not a success. Kafka was ill, already dying of consumption. He was remote from the sexual and contingencies of the flesh, made him shrink.

When Milena later spoke of love, she nominated someone else as the greatest passion of her life. But when Kafka died she wrote a moving and perceptive obituary, showing that she understood both his sensitivity and his genius. "His

books describe the horrors of secret misunderstandings, the guiltless guilt between people," she wrote. "He was a man and an artist so painfully conscious that he heard even where others, the deaf, felt safe."

Milena became a journalist of distinction, writing about social life, fashion, and women's affairs. Her articles from Vienna for the Prague press made her famous there, and when she returned to Prague after the failure of her marriage, she was greeted as a heroine. There she witnessed the growing threat of Nazism across the border, the bitter betrayal of Czechoslovakia by Britain and France, and the German occupation. Characteristically, she was among the first to join the resistance, and it was not long before she had been arrested and, at length, sent to Ravensbrück. She was 47 when she died there, weakened by privations, in 1944. But she had been a leader among the imprisoned women, a giver of hope, and was remembered many of them afterwards with love.

The story of Milena's life spans a time and place - Prague and Vienna between the wars - which is rich in interest. She was close to the vibrant culture of the period, an inhabitant of the cafés where the writers and thinkers met to argue, share ideas, write their books. In one way Mary Hockaday misses an opportunity here: this could usefully and enjoyably have been a longer book, with more detail about Milena's world and its inhabitants; and it could certainly have told us more about Kafka as he wrote those remarkable letters - for he appears in Hockaday's narrative as a somewhat remote and enigmatic figure, intermittently glimpsed behind the veil of Milena's life.

This point matters, because Milena was much more to Kafka than, in the end, he to her; he helped her with her writing, but she provided him with material for literature, and some commentators claim that she was the woman he most loved. In the great scheme of things, these facts make Milena's place in literature far from incidental.

To say that one wants more of a book is not much of a criticism. Hockaday has done a service here, both to Milena herself and to readers of Kafka. And it will whet appetites further for the story of Habsburg Europe after 1918, a marvellous epoch.

When Kafka died in the Soviet Union, he was also worked on a novel called *Picture Palace*, based on his early experience at the MG.



Keep your hats on: Passengers manage to look elegant and unruffled in the observation lounge of the "Hiawatha", the Milwaukee Road's 1936 lightweight, streamlined train which could reach speeds of 100 miles-per-hour. Taken from "The Spirit of Steam: The Golden Age of North American Steam" by William L. Withuhn (Salamander Books, £14.99)

Saint, sinner or just a tease?

The master of perfect prose has managed to defy his biographers, writes Malcolm Rutherford

Malcolm Muggeridge had at least one lasting achievement to his credit. He was the first western journalist to report in some detail that the Soviet Union was not the paradise which many British intellectuals believed it to be. In the early 1930s he was sent to Moscow by the Manchester Guardian. Bored by the official information machine, he struck off on his own and went to the Ukraine where he discovered the famine and the terror.

One would have thought that experiences like those would have scarred any man for life. Yet this is not entirely the approach taken by either of his two new biographers. Both the American Gregory Wolfe and the British Richard Ingrams tend to the view that Muggeridge was pretty well scared to start with, almost to the point of having a chip on his shoulder.

This came from his modest schooling and his advance to Selwyn College, Cambridge, which was then not officially part of the University. He could have resented the absence of a public-school background enjoyed by such fellow writers as Evelyn Waugh and Anthony Powell. Even his friend and fellow critic of the Soviet Union, George Orwell, went to Eton.

As Ingrams points out, however, from very early on Muggeridge had a sequence of apparently chance encounters that ran throughout his life. His favourite teacher at primary school was Helen Corke, the girlfriend of D.H. Lawrence who was teaching nearby. When, after

MUGGERIDGE: A BIOGRAPHY
by Gregory Wolfe
Hodder & Stoughton £25, 462 pages

MUGGERIDGE: THE BIOGRAPHY
by Richard Ingrams
HarperCollins £18, 265 pages

Cambridge, Muggeridge went to teach in India he ran into Mahatma Gandhi and began a correspondence with him which Gandhi then published.

He was recruited to the MG in Cairo by Arthur Ransome, then the paper's roving correspondent and subsequently the author of *Swallows and Amazons*. When Muggeridge arrived in Manchester, he lived in the same house as A.J.P. Taylor, the historian. At the end of the war,

as an intelligence officer in Paris, Muggeridge was deputed to keep an eye on P.G. Wodehouse. The two men became friends and Wodehouse agreed to write for *Punch* under Muggeridge's editorship in the 1950s.

So it went on. Muggeridge first met Mother Teresa, who helped to guide him into the catholic church, when he interviewed her on television.

He was a prolific writer, then after the war an equally prolific broadcaster, first on radio, then on TV. He even played the part of an interviewer in the film *I'm All Right, Jack* and thought he had a screen career ahead of him.

Where does all that leave his reputation? Wolfe's much longer and more detailed book almost comes to the conclusion that he was a saint. The Muggeridge papers are deposited at Wheaton College in Illinois, the alumnus of Billy Graham which also houses the Wade Collection of Christian writers including C.S. Lewis and G.K. Chesterton. Wolfe draws on the papers heavily to show that religious conversion was always a possibility. Muggeridge was a secret Bible reader in his youth.

Yet, as Ingrams comments, there were several Americans and Canadians who did not have the problem of having to reconcile the early Muggeridge with the born again Malcolm. One of them was Conrad Black, subsequently the owner of the Daily Telegraph, who regarded Muggeridge as a religious guru.

Ingrams was closer to the man, the satirist and founder of small magazines. While an admirer, he does not spare the warts, notably the heavy drinking and the philandering, both of which were abandoned in later life. He is a shade sceptical about the final conversion.

Neither writer comes to a definitive conclusion. Wolfe prefers the novels and religious works, Ingrams the journalism. Where everyone agrees - including Evelyn Waugh - is that Muggeridge had a perfect prose style. He had a marvellous eye for detecting disparities between theory and practice. He also had a wonderfully impish sense of humour. One of the Fleet Street stories he liked best was the ad on a delivery van: "Is there an after-life? See Tomorrow's Evening Standard." To the end he was a tease. He has defied both biographers, but if you have to choose, take Ingrams.

A flair for symbolism

Mark Archer discusses a powerful, political dynasty

When the Pope addressed the European parliament some years ago, he was interrupted by a small group of protesters led by the Reverend Ian Paisley who waved placards and shouted "No Popery!"

Prominent among the Paisley MPs who scuffled with Paisley before bunting him and his followers out of the chamber was Dr Otto von Habsburg. History's "old alliance" was suddenly visible again: the son of generations of Holy Roman Emperors assisting the Pope once more against the forces of reform.

As Andrew Wheatcroft points out in this first comprehensive study of one of Europe's most powerful political dynasties, the Habsburgs always had a flair for symbolism. The Habsburg Emperor Maximilian (1459-1519) employed an army of researchers to prove that his ancestors included Jewish kings, Trojan princes and Roman emperors, the saintly Charlemagne, to say nothing of Roman and

Greek divinities and the bizarre godheads of Ancient Egypt.

His grandson Charles V (1500-58) revived the family's chivalric Order of the Golden Fleece. His personal emblem of two columns arising from the sea above the words "Plus Ultra" (still further) expressed the limitless ambition of a ruler whose empire extended

THE HABSBURGS: EMBODYING EMPIRE
by Andrew Wheatcroft
Viking £20, 384 pages

from Hungary in the east, across Austria, Italy, Burgundy, the Netherlands and Spain, to Mexico in the west.

In arguing that the Habsburgs always had a flair for symbolism, Wheatcroft's book, while packed with illustrative detail, makes for a curiously empty read. In fact, the Habsburgs' power-base derived originally from a highly successful series of marriages and alliances with their rival dynasties in Europe.

Wheatcroft spends too little time analysing these historical developments, and too much time endorsing the image the Habsburgs had of themselves.

The book should really be subtitled "An Aesthetic History": suited to the subject, but unsatisfying for the general reader.

There is an intriguing area of fiction where the novel-proper meets the "thriller". Some of the best novelists have been fascinated by the challenge (Greene is the obvious example): some of the better thriller writers have been tempted to return the compliment.

Frances Hegerty established her reputation with a number of superior crime stories under the name Frances Fyfield. With *Let's Dance* (Viking £15), she uses elements of the thriller - suspense, violence, death - in what turns out to be an entirely serious, indeed sobering, study of an anguished relationship between mother and daughter.

The sobering part is that Serena Burley, the elderly mother, suffers from Alzheimer's Disease, and the most memorable and successful part of *Let's Dance* is its portrayal of this appalling affliction. The detail with which Hegerty describes Serena's condition will strike true to anyone who has experienced it.

Serena is going dotty in her house in the country: her daughter Isabel - beautiful, single, neurotic - refuses to consign her mother to an institution and has to go to look after her. She thinks, or rather

hopes, that she loves her mother; she discovers that she might instead hate her. Then there is George, the ex-convict, who loves Serena in a different, perhaps truer way, and Andrew, the saleroom dealer, who loved Isabel until her mother destroyed them - or did she? Outside, the local villains gather, birds of prey, to exploit a pathetic old woman who is happy to dance with them as they wheel her furniture out of the door.

Dutch writer Leon de Winter uses the traditional formula to produce a "philosophical thriller" (and also, according to his publisher, "a paradigm of Europe in the last 50 years") - which turns out to mean that this Cold War drama of CIA agents, the Holy Roman Emperor for Austrian Emperor in 1904, became an ossified autocracy, unable to respond to the nationalistic uprisings within its borders other than with repressive force. The legacy of this failure lies behind the present troubles in the Balkans today.

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ARTS



The very height of fashion: Richard Cosway's portrait of the Prince Regent, later King George IV.

Life and times captured and preserved

William Packer visits the British Museum and National Portrait Gallery

What better time than the new year to make a fresh start, and what better way to do so than to get back to first principles. The British Museum is what it is not because of its temporary exhibitions, wonderful though they may be, but because of its permanent holdings and collections.

Collecting of course means acquisition, by gift or bequest,

by searching and assiduous scholarship, sometimes by luck but most of all by purchase. And, hard though it sometimes seems for the modern political mind to grasp, purchase means spending money, money on our behalf, in a continuing process of enlightened self-enrichment.

It follows that from both the museum's and our own point of view, there can be no exhibition more intriguing, revealing

or indeed important than the occasional display of recent acquisitions. More should be made of the opportunity, and more regularly, for what shows there are tend to be uncatalogued and indifferently publicised.

The current show of only

some of the works acquired so far in the 1990s by the department of Prints & Drawings at the BM, which even so fills its gallery, is such a case in point.

It is an astonishing display, full of rare, beautiful, fascinating or contentious things, embracing the whole gamut of interest from 16th-century Rome to London the day before yesterday.

We begin with a delicious fragment of Taddeo Zuccaro, freely-stated ink study of a Sybil, to fill a right-hand lunette and match the left-hand image already in the museum - there is true collecting. We end with a schematic, spidery indication of a parquet floor by Rachel Whiteread - which is fair enough. The curiosity has always been grist to the museum's mill, quite as much as any purely excellent example. Many an indifferent renaissance drawing, after all, is rendered remarkable by the mere fact of its survival and well worth its place. The final group of drawings, by younger British sculptors, may explode the myth that sculptors necessarily make fine draughtsmen, but that is not to say they should not be there.

What else? All sorts of good things, from Palma il Giovane, Lely, Gertin, Callow - who once saw Turner hard at work in a gondola before San Giorgio as the sun went down - and Francis Danby, to Clemente, Westlake, Kossoff, Auerbach and Paula Rego. Near the beginning is a lovely feathered charcoal study of a boy with a purse, by the 16th century Venetian, Francesco Bassano, son of Jacopo, and near the end, two reclining nude women by Walter Sickert. Close by these last are three studies of heads, by Charles Nevinson, Winifred Knights and Leon Underwood respectively, that celebrate wonderfully the virtues of study from life, as practised at the Slade and Royal College in the earlier decades of this century. I am sure that Deanna Petherbridge, lately appointed professor of drawing at the RCA, and whose own capriccio of architectural space

hangs directly opposite, takes the point.

If not, halfway round is the large, magnificent and unabashedly academic study of a bearded model, dated 1864, by Lhermitte, an artist admired by Van Gogh. In

True academic study from life is no drudgery: it might even be necessary.

*

Across at the National Portrait Gallery, the delightful resurrection of the Cosways, Richard and his artist wife Maria, first shown at the gallery's Edinburgh counterpart at last year's festival, has now come to London. It is in its way a gentle morality on the mutability of fame, for in their time, that of George III and the Regency, the pair lived at the very height of fashionable success, with Richard in particular, as famous a portrait-painter as any in England. Maria was a musician too, and a gifted hostess, much given to concerts and receptions. In 1784, the brilliant couple took Schomberg House in Pall Mall, and the world beat its path to their door.

The irony is that, although after his death in 1821 Richard's reputation suffered because of the consummate vanity and ostentation of his lifetime and Maria's work was almost completely forgotten, his achievement remained to set the image of the times, an image that remains potent to this day.

In the field of the portrait miniature he was supreme. Here they are, these delicate creatures, these handsome young gentlemen with their powdered hair, their high collars, their carefully careless stocks, their medals and frogments. And here are their ladies, so lovely with their delicate lips and tumbled curls, their ribbons and their bows, and wide round eyes that look out so wistfully from these opened lockets. Set out in the library cabinets is the exquisite, ideal picture of a vanished age.

Prints & Drawings - recent acquisitions 1991-1995: The British Museum, Great Russell Street WC1, until April 21.

Richard & Maria Cosway - Regency Artists of Taste & Fashion: The National Portrait Gallery, St Martin's Place WC2, until February 18; sponsored by Mobil North Sea.

After Apocalypse - more distracting roles

Nigel Andrews talks to Robert Duvall, master of weird, fidgety humanity

He is an Oscar winner and prolific character actor. He turned one of the good lines of modern cinema into one of the great ones: "I love the smell of na-na-nam in the morning" (*Apocalypse Now*). And when he appears in a movie - even this week's radiantly insane *Something To Talk About* - you know there will be one character with a weird, charred, fidgety humanity, someone likely to distract you, give half a chance, from the big movie actors.

The Cro-Magnon pate and deep-sunk eyes, the leathery Virginian burr with its ruminating rhythms, spell Robert Duvall. When I first met him, though, he behaves like any half-fellow. Hollywood star? "Where ya from?" "Er, London." "Oh, great city! One o' th' best!"

This tone continues when I ask what attracted him to the new film in which he plays Julia Roberts' dad in an all-over-the-place family saga. "Main reason was I love the South and I wanted to work with Lasse Hallstrom. I was such an intense fan of *My Life As A Dog*. He's one of my three or four favourite directors."

Ten years ago, the others would almost certainly have been Francis Coppola, Francis Coppola and Francis Coppola. Most of us got to know Duvall through the *Godfather* films, where he padded predators in the wake of Brando and Pacino as the *Corleones*' lawyer. He took his inspiration for the role not from a Mafia *consigliere*, but from a Mafia boss.

A friend of mine lived up in East Harlem and talked about a guy called Carmine Tramonte, whom he knew as one of the Mob leaders in New York. Tramonte followed the older *capo* around before he took over. He'd light his cigarette for him, pull his chair out like a high-powered gofer. And if anyone made fun with that position, they'd be in trouble. I was like a Secret Service man who constantly looked out for Brando."

Coppola remains the major

touchstone of his career, though Duvall today still quietly rages at the way the director left bits of *Killers* - that gun-ho, foghorn-voiced master creation - on the cutting room floor.

There was a story that was taken out of *Apocalypse Now* that really buggered me. I save a baby's life. Probably I killed its parents ten minutes before, but I put the baby who needs medi-

cal attention in my private helicopter to take to the medical base before I got out and surf. Coppola cut that, which is stupid. Why not give the guy another side? Nobody's all one thing or the other, and it was based on an incident that actually happened. Coppola was wrong, dead wrong."

Duvall had the last word when he wisely refused to appear in *Godfather 3*, though by now even the great director seemed a bit adrift from his project. "Coppola left his car running while he came into my

more powerfully, intriguingly latent."

His acting teacher Sanford Meisner taught him this. "He used to stand at the back of the room with a cigarette looking like a peacock and say: 'Duvall puts on high-toned theatrical accent - if crying means great acting, my Aunt Tilly could another be another Eleanor Duse.'

"It's always better to play against the emotion. There's a moment in the new film I've finished with John Travolta, called *Phenomenon*, when I



Robert Duvall: treasured for his craggy, cranky presence and the way he makes life difficult in his roles on screen

have to tell him he's gonna die, and for a couple of takes it was difficult to control myself with the emotion. But I sat on it. In a documentary or newscast, when you see someone who's lost a loved one in a flood or whatever, they always try to hold back their feelings."

He may be the only actor ever to have won an Oscar by doing this. The statuette usually favours to all-stop-out performers. But in *Tender Mercies*, as an ex-country singer at bay in the evangelistic South, Duvall showed his skill at making thought and feeling visible without putting either on obvious display.

"I go with the actor's faith in the situation of that moment. When you do it take after take, you may have to supplement it

with other memories from your own life. It's difficult. If you have steak over and over, you gotta find different ways to eat it. But you try to go with the moment."

Any role halfway Southern sits perfectly on this man who was born in Virginia and still, like the landowner-patriarch of *Something To Talk About*, rears horses there on his family ranch. He also plans to go south for a new movie I've written and hopes to act in and direct.

"The hero's a Pentecostal preacher who whacks his wife's lover out of passion and goes on the run. The film deals with that whole community of churches in the south. They say the only truly American art form is the preacher. It's a wonderful role if you get it right. Burt Lancaster came closest in *Elmer Gantry*. I preached off the cuff to my cameraman on the phone the other night, just to get in and practice."

If the film is as good as Duvall's only previous directing feature *Angels My Love*, it should be booked by art circuits now. *Angels* was the funny, entrancing portrait of a civilized gypsy boy, played by a real gypsy Duvall spied one day while walking down Broadway. "I saw this little kid with the suit and big diamond ring and I thought, 'Oh my law, I've gotta put this kid in a movie!' I'd never seen such a creature on this earth."

The under-publicised film won fans at Cannes but 'selected cinema' showings everywhere else. "Years later, I met your Ken Loach and told him I loved his work and his had been one of my inspirations. He said he'd seen *Angels* and thought it 'smashing'."

Duvall's English accent, heedless of regionalism, makes Loach sound like Brian Sewell. He is better at imitating Americans. "While I was preparing my new film, I asked Dennis Hopper how you act and direct both at once in your own movie. He said, ' - voice twists into the perfect stoned, hippyish chant - 'He-e-e ma-a-a, it's easy!'"

Not too easy, we trust. We treasure Duvall for the way he makes life difficult: for his craggy, cranky presence and for the everyday demons behind eyes dark as a double-barrel shotgun. He may have come to acting easily and acting to him. But unlike most top Hollywood performers he makes life seem richly, mysteriously, compellingly contrary.

Spectacular schmaltz

Alastair Macaulay enjoys the festive season in New York

Schmaltz, a tableau like a life-size version of one of the great Neapolitan crèches in the Metropolitan Museum.

For the beauty of the Christmas Spectacular is that it perfectly connects Christmas to New York. Sure, it was its pot 15-minute *Nutcracker* and its 15-minute *Christmas Carol*; but even these old World stories have become New World fare. Elsewhere the New World is all the more apparent, and

the illuminated trees and skyscrapers. Bountiful upon bountiful, a Christmas cornucopia, of which the Old World never sees.

The Rockettes are one of the ultimate 1980s dreams: a fabulous and happy machine of girls, girls, girls, always the same and never boring for a moment. They appear at least four times, in different costumes on each occasion.

Though they are famous for their high kicks, for their perfect unison, and for their uniformity of height, this had not

prepared me for the big thrill of their precision in small steps.

The Rockettes tap, and they make a phenomenal impression by sustaining unison tap precision through long series of small steps. Often, while they do, they change formation. Vertical and horizontal and diagonal lines, steps circling this way or that. When all 36 of them stretch an extended leg low before them, the impact is beyond all expectation. And then come the high kicks.

Their first dance was to a score which cheerfully raced through references to Grieg's *Peer Gynt*, Tchaikovsky's *Swan Lake*, the Hallelujah Chorus and much besides, and their second, as toy soldiers, has apparently remained unchanged since the 1930s. This ends with a famous and marvellous device: slowly, slowly - it seems to take almost a minute - one falls back onto another like a pack of slow-motion female dominos until they have all collapsed.

What other Christmas fare can compare to this? Well, I was sorry to miss the performance.

ance of the new cast-of-90 Broadway *Christmas Carol* (expected to become an annual event) or the live Disney *Beauty and the Beast*; and sorrier yet to miss Barbara Cook's New Year's Eve concert at Club 21 (dinner, show, and champagne at \$350). At the Metropolitan Museum, there was a December 20 concert of Bach, Couperin and very authentic Christmas carols, given by the five members of the Aulos Ensemble with soprano Julianne Baird and countertenor Drew Minter. The performance was exquisite but what left the strongest impression was the medieval room in which it took place, with its large Christmas tree decorated with the museum's collection of Neapolitan angels.

On New Year's Eve, I re-made acquaintance with New York City Ballet's *Nutcracker*, choreographed by George Balanchine in 1954 and a staple of New York Christmas fare ever since. Watching the Rockettes, I could not help but feel how much Balanchine loved and took from popular American entertainment of this ilk. He arrived in New York the year that Radio City opened 1933, and by the end of the decade had become the foremost choreographer on Broadway. His *Nutcracker* has girls, girls, girls, and in its Arabian "Coffee" dance it even has a bare-bellied number for what Ken Dodd would call "all the lads and daddies". But this is also the most sublime of *Nutcrackers*, and the most touching. The Sugar Plum Fairy is one of his greatest ballerina roles. Above all, this *Nutcracker* is about the inner fantasy of a child and of children. Its presentation of a family and a Christmas party is full of human detail that is unique in Balanchine's theatre. The smallest stroke - the impetuous arrival of some guests and the late arrival of others, the way that Drosselmeyer's young nephew offers his hand to young Marie - makes an extraordinary impression; and I, like New Yorkers each year, watch and feel: no, this is the greatest story ever told.

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ARTS

Dance which is naughty but nice

Alastair Macaulay discusses Frederick Ashton's role as the last English inventor of 'wonderland'

In *Inventing Wonderland*, her recent book, Jackie Wullschlager describes the five foremost English authors who created classic realms for children to inhabit. They are Lewis Carroll, Edward Lear, J.M. Barrie, Kenneth Grahame, and A.A. Milne, and their period is 1863-1920.

Wullschlager goes on to discuss leading books for and about children written after that period; but surely, after that period, the true flame of children's entertainment began to pass away from literature anyway. After 1925, the greatest creator of wonderland was neither a writer nor an Englishman: I refer, of course, to Walt Disney, whose Mickey Mouse and Donald Duck recapture the manic verve of the characters in Carroll and Lear.

Still, there was one Englishman who went on inventing wonderland. He was a choreographer, Frederick Ashton. Paradoxically, this aspect of his complex art, this instinct for innocence, has become the side of him most acclaimed by the public and most devalued by the critics.

Like Paddington Bear, Ashton (1904-88) was born in South America. If he had choreographed a Paddington Bear ballet - or a *Wind in the Willows* ballet or a *Pooh* ballet - it would have come as no great surprise. For this master-choreographer made the dances for the famous 1970 film *The Tales of Beatrix Potter*, a brief but brilliant *Twosidededium* and *Twosidedeler* divertissement in 1977, and an enchanting ballet to illustrate a Hans Christian Andersen story with pods of peas, radishes and a cauliflower, all dancing.

But long before he tackled these tales he had long been creating thrilling, innocent, funny realms onstage in which children and adults have been losing themselves with equal bliss for decades. There is no better example of this than Ashton's 1937 ballet, *Les Patineurs*, which looks like a Victorian Christmas-card come to life.

It depicts a skating-party with such style that many observers think, as I did when I first saw it, that the dancers must be moving, if not on ice, then on a specially slippery floor. They are not, of course: Ashton was simply very good at creating a completely coherent illusion, and the dancers all keep stiff backs, straight thighs, feet now sliding, now carefully digging into the surface beneath. These skaters are more or less adult, but - like

characters in so many Ashton ballets - they are loveable, vulnerable, and (unusual in ballet) fallible.

This aspect of Ashton is the one that has become most taken for granted; and indeed the most frequently bashed. What price innocence in 1938? When *Les Patineurs* is praised today, it is not because it creates an enchanting world but because it is a masterpiece of choreographic construction. It is indeed that; but that is not why it is loved.

In the 1960s, the younger choreographer Kenneth MacMillan, the John Osborne of British ballet, announced "I'm sick to death of fairy stories". By contrast, Ashton choreographed aqueous fairies (*Onstage*), Persian fairies (*La Peri*) - and no fairies in ballet are more like those of children's books than the Shakespearean fairies Ashton created in *The Dream* (1964). They are ethereal, gossamer, both diminutive and sweeping in scale, quaint and yet capricious: very close to the world of Arthur Rackham and, more to the point, of Mendelssohn's music.

His instinctive sense of how characters would look and move - part of his genius - went beyond the Wonderland side of his talents. In his 1968 *Enigma Variations*, he put Elgar and his friends onstage; and when the composer Elgar's daughter (then an old woman) saw the ballet, she told Ashton: "I don't understand how you did it - they were all exactly like that."

Gertrude Stein said the same thing to him when, in his 1937 ballet *A Wedding Bouquet*, he put onstage the whole French village that she had set in one of her plays. Likewise, it is astonishing that no one watching *The Tales of Beatrix Potter* questions that Jemima Puddleduck and Jeremy Fisher and the Two Naughty Mice do of course move like that.

He choreographed *The Tales of Beatrix Potter*, it will be remembered, for the 1970 film. He never chose to make those dances into a stage ballet - whereas he saved his Hans Christian Andersen vegetable ballet from the unsuccessful 1980 film of which it is a double bill with Ashton's *Titania-Oboron* ballet *The Dream*, plenty of children preferred the latter, less because it is a better ballet (though it is) than because they could lose themselves in its fairytale story. The *Beatrix Potter* dances, however, enchanted many university-educated adults.

The most serious complaints about *The Tales of Beatrix Potter*, however, surely come from an adult disquiet with aspects of Englishness but because of their human vital-

Jeremy Fisher in the Royal Ballet's production of Ashton's 'Tales of Beatrix Potter'

Few if any of the critics who have dismissed it as being "good for children" have tried taking a child to see it. Children are, of course, sent to *The Tales of Beatrix Potter* in droves and some certainly do enjoy it. But it is by no means a safe bet, for it is mis-named. The ballet is really *The Characters of Beatrix Potter*, and only the best of its scenes tell real tales. Most children, anyway, would rather see one single story; when the ballet was first given in a double bill with Ashton's *Titania-Oboron* ballet *The Dream*, plenty of children preferred the latter, less because it is a better ballet (though it is) than because they could lose themselves in its fairytale story. The *Beatrix Potter* dances, however, enchanted many university-educated adults.

No one claims that *The Tales of Beatrix Potter* is a masterpiece, but it contains several sections that are delectable not for their Englishness but because of their human vital-

ness of wonderland. This has some justice. Why is it the English have made so many stories about animals? And why are even the most rebellious English animals (e.g. Squirrel Nutkin) so much more tame than the most domestic American counterparts (e.g. Donald Duck)?

Some of the way *The Tales of Beatrix Potter* is staged would have surely bothered him. It is easy to forget that Ashton was in regular rebellion against the neatness of Englishness. When first he worked with MacMillan's chief muse, the fluid and iconoclastic ballerina Lynn Seymour, it was he who said to her: "Don't be so stiff and English"; not she to him.

And, more intimate than virtuosity, Ashton built a kind of un-English rebelliousness into the core of his dance language. "I think his middle name was 'Bend'", one of his dancers has said. For Ashton, more than

any other choreographer, was forever making dancers bend from the waist - bend sideways, bend forwards, bend backwards. Seven years after his death, his ballets are still telling their dancers the same message. Right in the centre of their bodies, Ashton dancers - bending this way and that - are expressing the vitality that was central to his spirit. This vigour at the centre of the body is just what helps to make his dancers so like animals in *The Tales of Beatrix Potter*. Paradoxically, it is also what makes them so human.

The Royal Ballet dances *Les Patineurs* and *The Tales of Beatrix Potter* at Covent Garden until January 6. *Rhapsody* rejoins the repertory in February and March: a triple bill of *Symphonic Variations*, *Rhapsody*, and *The Dream* is announced for April. The Birmingham Royal Ballet will dance *Birthday Offering* on tour into the spring.

Twisting the arm of the heritage secretary

Antony Thorncroft discusses the plight of the Arts Council in the face of the lottery

The Arts Council believes it is making progress as it negotiates with heritage secretary, Virginia Bottomley, in an attempt to avoid cutting the grants of its clients in 1996-97.

In the November budget the council was shocked to receive a 3 per cent reduction in its grant, down £5m to £186m. The fact that the Treasury wanted Mrs Bottomley to accept an even smaller sum is little consolation.

Rather than accept the grant, the Council's chairman, Lord Gowrie, rather bravely postponed dividing up the cash - and the misery - among his clients, and announced that he would try and negotiate for more money. Arts companies

will now learn the worst, or the best, later this month.

It seems unlikely that Mrs Bottomley will squeeze extra revenue from the Treasury, or re-divide her £1b budget to give more to the arts. Instead the arts are concentrating on that other great bag of swag, the arts lottery fund, which brought in £20m in its first year and is still growing. Some how it must be made more flexible, weaned away from its current concentration on capital projects.

An obvious area of study, which could just make up the £1m cut and leave arts companies on stand-still grants, is the extra burden that working on the lottery imposes on Arts Council and Regional Arts Board staff. It could be argued that all the time they must now spend advising and administering lottery projects should be paid for out of lottery revenue. The arts lottery is more reasonable, asking arts organisations to find only 10 per cent if they want a grant of less than £100,000; 25 per cent for larger sums. But even these amounts are already causing problems. Despite receiving £30m from the lottery, Ian Albany of Sadler's Wells is finding it difficult to raise its £10m needed

companies, with frozen grants, forced to create good work in brand new lottery financed buildings, has yet to be attacked. The simple solution - switching lottery money to revenue grants, or even to endowments - poses a danger to the long-term survival of an annual government grant to the arts.

Another lottery matter that must be confronted this year is matching money, the need for successful lottery applicants to be able to muster a sizeable contribution from their own resources. This is particularly tough for millennium projects, which must meet lottery money on a fifty-fifty basis. One major reason why Cardiff Bay Opera House was rejected by the Millennium Commission last month was doubts about its ability to raise its £40m towards the final cost.

The arts lottery is more reasonable, asking arts organisations to find only 10 per cent if they want a grant of less than £100,000; 25 per cent for larger sums. But even these amounts are already causing problems. Despite receiving £30m from the lottery, Ian Albany of Sadler's Wells is finding it difficult to raise its £10m needed

towards the £40m re-development.

The Wells receives little financial help from its impoverished local authority, Islington, only £120,000 a year from the London Arts Board; and raises £250,000 a year in sponsorships, the three obvious sources of lottery aid. Colin

Tweddle of the Association for Business Sponsorship of the Arts thinks that the corporate sector will be unable to meet all the demands on its generosity from lottery seeking arts companies.

So far the Arts Council is

relaxed about the problem. To date it has handed out 391 lottery grants for a cash total of £235m. But the total cost of the projects it is supporting is valued at £550m, suggesting that the arts have found 63 per cent of the investment from other

sources. Only Sadler's Wells is currently giving cause for concern.

Twelve times as many people work in the arts as in the iron and steel industry. This insight into the labour market comes from the Arts Council's analysis of the 1991 census. This showed that, in the previous decade, while the size of the overall work force stagnated, employment in culture rose by 37 per cent to 648,900.

As many people are culturally employed as work in banking and finance, or the railways and road transport. The biggest rise was in artists - including commercial and graphic artists, up 71 per cent, while employment on the stage was 47 per cent greater. Since 1991 the numbers involved will certainly have moved higher. Talk of the death of the arts has been much exaggerated.

This is the time of the year when you can visit the London auction rooms at Sotheby's and Christie's and be certain of a bargain. There are few, if any, sales and the main rooms are given over to free exhibitions.

Christie's has the most intriguing show - Brazil as depicted in paintings, drawings



Radio/Martin Hoyle

Aphids and aliens, Pinter and Proust

Did you know you could be arrested for spraying your plants with washing-up liquid against aphids in the time-honoured way? Thanks to EC regulations you can. I learned from the indignant *Gardeners' Question Time* on New Year's Eve.

The evening's centrepiece was *Harold Pinter: the Pinter Special*. Written by Pinter, film director Joseph Losey and translator Barbara Bray, the projected film treatment of *Remembrance of Things Past* was never, alas, realised. It was a tantalising choice for radio, with its hints of evocative visuals, a myriad mosaic fragments, some lasting no more than a second or so, in no particular order.

Put himself read the directions, often simply a statement of time and place, in a voice that as the two hours progressed sounded increasingly like Derek Cooper, the admirable presenter of *The Food Programme*.

Newcomers to Proust might have been baffled since all the young women sounded identical, and a bit common at that. The Queen of Naples sounded like the patroness of a pizza parlour instead of the requisite Bavarian blueblood (mentioned in the text, for heaven's sake).

The excellent John Wood was a ripe Charis, both menacing and when necessary faintly ridiculous, and alone knew how to pronounce the name of the imaginary composer Vintzell (the rest rhymed it with the Edwardian musical comedy *Son Toy*). The total effect was slightly trivialised, a glossy soap waiting to be made, an up-market *Duchess of Duke Street*.

Far more impressive was Radio 4's *The Nuremberg Trial*, a drama-documentary that used actors, the voices of historical characters and their living associates. It was infinitely more successful than the second world war RAF bombing raid reconstructed last year, with its fatally actorish overtones.

There was no room for false theatricality here, from the great rhetoric of the American prosecutor's opening speech to the terrible truths that unrolled in that courtroom 50 years ago like a Hieronymus Bosch vision of hell. Even more terrible was the unshakable self-righteousness of many of the Nazi defendants, their unwavering belief in themselves, and their inability to see the evil of what they had done.

Martin Jenkins and John Theouaris produced and directed an absorbing and uncomfortably relevant experience.

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SPORT

Cricket / Canute James

Lara's theme is out of harmony

The moderate performances of the once invincible West Indies have as much to do with the behaviour of their fractious players and the absence of the world's leading batsman, as it has with opponents.

Other teams would be justified in concluding that they were not being credited for an improvement in their play, matching and overtaking the West Indians in all departments of the game.

Much has been made of the problems in the West Indian camp, mainly the obvious differences between the administrators and Brian Lara, their exciting young batsman, and between Lara and his colleagues.

It is clear that on their current tour of Australia, players' minds are not focused on the Australian and Sri Lankan bowlers. They appear more concerned with what is happening back home, and how the impasse with Lara will be resolved.

Many have concluded that Lara has become a law unto himself and is beyond the measures which lesser gaffers apply to the lesser gaffers when they transgress. Lara supporters - and not only West Indians - argue passionately but not persuasively that he was unfairly treated by the board in its mild punishment for reported indiscipline on the England tour.

It is also unlikely that Lara would have reached the heights of the game were he not given to moments of arrogance. Is this not one quality which allows for the elegantly dismissive manner in which he treats some of the world's leading bowlers?

Others feel that Lara may have come too far too fast, is he being diverted from the game by commercial commitments? Playing cricket for the West Indies imposes a weighty burden of expectation.

After entertaining England two winters ago, many of the West Indian players went straight into English county cricket then on a tour of India, then to New Zealand, returning home just in time to play the Australians.

Depressed by a rare defeat, they played six tests in England, and are now involved in a one-day series in Australia.

Players have complained of being isolated and having no input into the game's administration

games. So a packed schedule, preferably of away tours, has been the order for the team.

Compounding these problems is an apparent lack of communication between the administration and the players. Former West Indies players, including Vivian Richards, Desmond Haynes and Malcolm Marshall, will agree that the West Indies board has not managed its relations well with players.

A significant improvement in players' earnings in recent years appears to have been considered enough. Players have complained of being isolated and having no input into the game's administration. In such situations, relatively minor problems of administration are magnified, differences of opinion among players become permanent rifts.

Any team will benefit from a brilliant and assured century or double century from Brian Lara. If it does not happen again, the loss will not just be to the West Indies, but to cricket become permanent rifts.

Depressed by a rare defeat, they played six tests in England, and are now involved in a one-day series in Australia.

Indies' transformation of their approach, and are as physically well-prepared and committed.

It was also unlikely that the Caribbean islands would continue to produce indefinite numbers of fearsome fast bowlers and creative batsmen.

In the current squad, for example, the enigmatic Curtly Ambrose and the tireless Courtney Walsh seem to be the last of the great pacemen. West Indies' domestic competition offers few pointers to replacements.

There are similar dim prospects for an improvement in the batting. In the wake of the departure of Greenidge, Haynes and Richards - and the persistently poor form of Richardson - only Lara appears able to convert 40s into half centuries and then into centuries when it really matters. The new wave - Hooper, Campbell, Adams, Chandrapaul - are talented but inconsistent.

Which brings us back to Lara. Does he have a future in West Indies cricket? If nothing else, Lara is ambitious. Logically, his next step should be to lead what could, perhaps again, be the world's best team. Until last summer he was on course for the captaincy. Now many, including a few of his supporters, are less

optimistic. Does he have a future in West Indies cricket? If nothing else, Lara is ambitious. Logically, his next step should be to lead what could, perhaps again, be the world's best team. Until last summer he was on course for the captaincy. Now many, including a few of his supporters, are less

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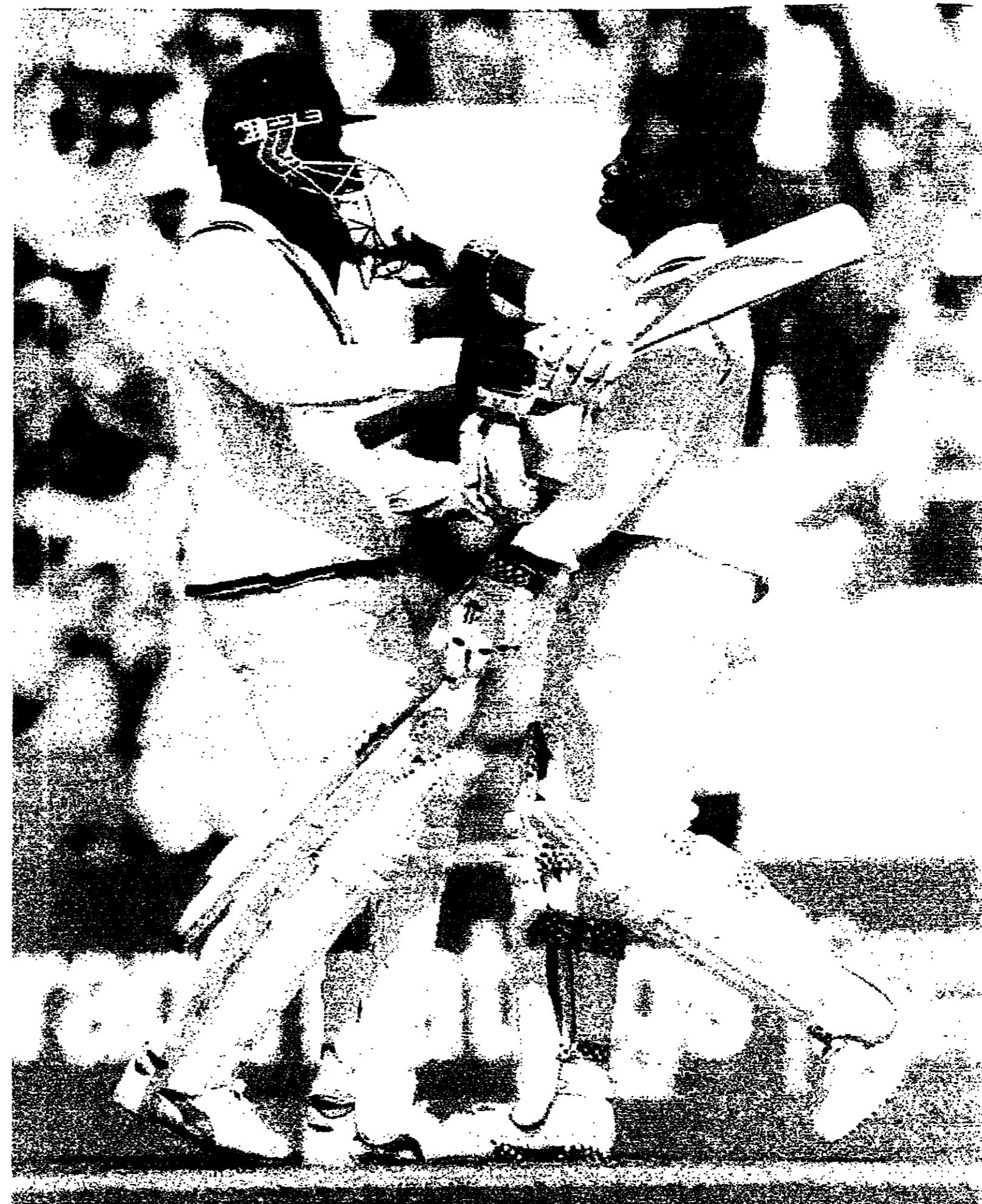
Unless there is a recovery in the fortunes of the West Indies, Richardson will face growing pressure to step down. However, Lara is unlikely to be appointed by a board with which he clearly has differences, and is also unlikely to fit into a team comprised of players he has criticised.

In spite of the results in Australia, the West Indies team is not a one-man band. It has lost matches, and a series, with Lara. But in recent times it has not won many when he fails to perform.

Any team will benefit from a brilliant and assured century or double century from Brian Lara. If it does not happen again, the loss will not just be to the West Indies, but to cricket become permanent rifts.

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Lara and Richardson: will they ever play together again?

Who is the best? In all sports, that is the question that dominates the conversation in most clubhouse bars around the country, especially at the end of a year or season.

So far as tennis is concerned, the issue was settled for me on two days in early September. If Monica Seles had beaten Steffi Graf in the final of the US Open, as she so nearly did, to complete what would have been a unique comeback after an absence of 28 months, then I would have given the 21-year-old Yugoslav-born left-hander the top spot ahead of the 26-year-old German.

Yes, I know that Graf had won the two previous Grand Slams in Paris and at Wimbledon and had lost only two matches all year in 11 tournaments. But Seles had spent so long out of the game since Gunther Parache stabbed her on court in Hamburg in April 1993 and in spite of her lack of real match practice, had still won the Canadian Open in Toronto. She arrived in the US final on a run of 11 consecutive winning matches in which she had not conceded a set.

Thus, everything depended on that one match. In winning it, Graf confirmed her great-

ness which she underlined by claiming the WTA Tour Championships where the injured Seles could not play. In a year in which Graf was plagued by injuries and tax problems - her father Peter is still in prison on tax evasion charges - that was no mean achievement.

Similarly, if Andre Agassi, the reigning Australian Open champion, had retained his US title the following day at Flushing Meadows against his old rival Pete Sampras, then the 25-year-old Las Vegas would have been No.1. He would have just had the edge over the three-time Wimbledon champion, in spite of Sampras' heroic Davis Cup effort at the year's end. It was a close as that.

Mind you, Agassi was unlucky in two counts. First, his US Open semi-final, a draining revenge win against his Wimbledon conqueror Boris Becker that lasted three hours, had followed Sampras' dour victory over Jim Courier.

Thus Agassi had only 19½ hours to recharge his batteries before the final.

This idiotic scheduling, both unnecessary and unfair, has been universally condemned by the tennis community for years, yet the US still continues to allow the CBS television network to dictate scheduling.

Then there were the injuries. Agassi's year started to go wrong in Paris. Having dominated the early part of the year and overtaken Sampras in April to head the world rankings, he tore a leg muscle in his French Open quarter-final against Kafelnikov. Then came the inexplicable Wimbledon loss to Becker after leading by a set and 4:1. Further injury after the US Open curtailed his year just as he was about to launch another attack on the summit.

What about the rest? You might have thought that the "official" rankings in professional tennis, those published weekly by the men's ATP Tour and the women's WTA tour (based on the round reached at each tournament, plus bonus points for beating higher ranked players), would give

the answers. After all, they decide who will be accepted directly into the main draw each week and who will have to qualify.

Yet the men's computer selects only the 16 best performances to produce the final rankings and ignores bad losses, a potentially dangerous arrangement which favours the top players. The women's points allocation is based more fairly on an average - points won divided by tournaments played. Yet the table is poorly weighted so that highly ranked players performing badly tend to fall too slowly.

Ironically, though, for the first time for years I can find no quarrel with the men's ATP Tour rankings. Thomas Muster, the bravest man tennis is an outstanding third. He won his first Grand Slam title in Paris plus 10 other tournaments on clay and one indoors, in Essen, where Sampras was a semi-final victim.

A rejuvenated Boris Becker is a clear fourth after reaching

the Wimbledon final, the US Open semi-final and winning the ATP tour Championship where all the top men played.

French Open finalist Michael Chang is a secure fifth after enjoying his best season for years with four titles from seven finals, plus an appearance in the semi-finals of the US Open.

Two outstanding 21-year-olds appear at sixth and seventh. Yevgeny Kafelnikov won four tournaments and led Russia to the Davis Cup final for the second year in a row while the Swede, Thomas Enqvist, claimed five titles and won all three young robin matches at the ATP Tour Championships where he almost beat Becker in the semi-finals.

Jim Courier returns to the top 10 after winning four tournaments and pushing Becker to the limit in the semi-finals of the US Open, and in last place is Goran Ivanisevic, a Wimbledon semi-finalist who has at last won an important

title, the Compaq Grand Slam Cup.

Now for the rest of the women. Incredibly the WTA Tour's year-end rankings have Graf and Seles at joint No.1 and Conchita Martinez as No.2 - yes - No.2. There are thus 11 players in its top 10.

It made perfect sense to bring Seles back at equal No.1. But now that there is some evidence she must be relegated to No.2. Behind her, Arantxa Sanchez-Vicario must be No.3. She was a finalist at the Australian Open, the French Open and at Wimbledon, where fellow Spaniard Martinez was a semi-finalist each time. True, Martinez did win six titles to Sanchez's two but when it mattered Sanchez had the better form.

It is unusual for a Grand Slam winner to be as low as

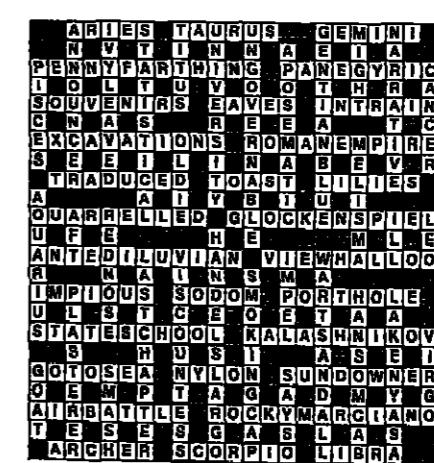
No.5 but after winning in Australia Mary Pierce did little else all year.

Gabriela Sabatini reached the semi-finals at the US Open (where she was the champion in 1990) and the quarter-finals in Paris, at Wimbledon, and at the WTA Tour Championships. These performances keep her at No.6 ahead of the next Japanese No.1, Kimiko Date, who had a much improved year but not as good as her No.4 ranking on the WTA Tour list would suggest.

Triple Grand Slam quarter-finalist Mary Joe Fernandez happily restored in health, is at No.8 followed by Jana Novotna who took a set from Graf in their Wimbledon semi-final and held set points against Seles in their US Open quarter-final, something no one else could claim.

In last place is Anke Huber who reached the fourth round at all four Grand Slams and was a finalist at the WTA Championships. You cannot be much more consistent than that.

CHRISTMAS CROSSWORD SOLUTION



WINNERS

K. Gardner, Cinderford, Gloucestershire; R. Eyland, Scarborough, Yorkshire; J. Gunn, Lyford, Oxfordshire; G. Hale, Steyning, West Sussex; G. Hollis, 12 Lodge Drive, Hatfield, Herts; O.P. Pearce, Ponteland, Newcastle-upon-Tyne

Rugby / Huw Richards

Cardiff look to home help

have substance. For once they should command enthusiasm from the rest of Wales.

Evidence of revival in national fortunes, from whatever direction, is being desperately sought. Cardiff's impressive semi-final victory away to the British and Irish provincial champions Leinster was greeted as a happy omen for the national XV's visit to Dublin on March 2. Victory tomorrow would provide similar encouragement in advance of the French team's visit on March 16.

But there is more than national pride to Welsh enthusiasm for the new competition. An unintended consequence of national leagues has been introspection. The loss of historic Anglo-Welsh links has hit

Wales harder than England, where the Courage Leagues have helped turn the national team from perennial under-achievers into masters of their sport.

So, following the generously visionary precedent of their soccer counterparts - who refused to allow champions Chelsea to enter the first European Cup in 1955 - they kept their clubs out until next year. So did the Scots, who may field divisional rather than club teams in 1996.

There is no doubt that Bath and Leicester, in particular, would give added depth and distinction to the new competition. But no one quibbles over Real Madrid's achievement when they saw off Reims 4:3 to win their first European Cup, and few at Cardiff will question the standing of tomorrow's contestants who provide the final the organisers wanted.

Cardiff and Toulouse are

simply the best teams in the tournament. Toulouse play with all the free-flowing creativity expected when you wear the traditional anarchist colours of red and black and are led by Emile Ntamack, a sinuous runner who was an outstanding wing in the World Cup. But they lack nothing in club teams in 1996.

Forwards such as Dispaine, Califano and Soula provide a competitive hard core. Outside half Deylaud, whose almost comical World Cup ineptitude did so much to torpedo France's chances, showed the kicking talents that first won

him selection. As Swansea captain Stuart Davies said: "We looked for weaknesses but could not find any."

For half the Cardiff team the World Cup was almost as disappointing as Deylaud's. Among the most important will be lock Deryn Jones. Too often he fades after starting big games well, but he reversed the pattern with a dominant second-half against Leinster and his height advantage - he is 6ft 10in - should guarantee plenty of possession. But line-out dominance alone is, as England found against New Zealand and South Africa in 1995, no guarantee of victory.

Cardiff's very real hopes rest on home advantage. The sentiments of England prop Mike Burton, before a 1990s match against Wales, spring to mind. When Burton's captain, Bill Beaumont, said he hoped the best team would win Burton replied: "I bloody hope not."

SCOTTSDALE
CHICAGO
COLOGNE
COPENHAGEN

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

■ AMSTERDAM

CONCERT

Concertgebouw Tel: 31-20-5730573
 ● Mstislav Rostropovich: the cellist performs J.S. Bach's cello suites Nos. 2, 3 and 5; 2.15pm; Jan 7

■ ATLANTA

EXHIBITION

High Museum of Art Tel: 1-404-8989284
 ● Art at the Edge: Janine Antoni: exhibition of recent work by Antoni, who uses domestic materials such as chocolate, soap, make-up and hair dye. Her work conveys her interest in converting everyday activities into artistic processes; from Jan 9 to Apr 14

■ BALTIMORE

CONCERT

Joseph Meyerhoff Symphony Hall Tel: 1-410-783-8000
 ● Baltimore Symphony Orchestra: with conductor James DePreist and violinist Vadim Repin perform Shostakovich's "Violin Concerto" and Mahler's "Symphony No.1"; 8.15pm; Jan 11, 12, 13

■ BERGEN

CONCERT

Grieghallen Tel: 47-55-211650
 ● I Vespri Siciliani: by Verdi. Concert performance by the Bergen Filharmoniske Orkester with conductor Paavo Järvi and the Norske Operakor; 7.30pm; Jan 11, 13

■ BERLIN

CONCERT

Konzerthaus Tel: 49-30-203092100/01
 ● Berliner Sinfonie-Orchester: with conductor Johannes Fritzsch, the male singers of the Philharmonisches Chor Berlin and alto Kathleen Kuhmann perform Brahms' "Rhapsody" and Bruckner's "Symphony No.3"; 8pm; Jan 11, 12, 13
 ● Staatskapelle Berlin: with conductor Othmar Sutler and clarinettist Matthias Glandier perform works by Mozart and Dvorák; 8pm; Jan 9, 10

OPERA & OPERETTA

Deutsche Oper Berlin Tel: 49-30-3438401
 ● Falstaff: by Verdi. Conducted by Lawrence Foster and performed by the Deutsche Oper Berlin. Soloists include Karan Armstrong, Gwendolyn Bradley, Ingvor Wixell and Clemens Bleber; 7.30pm; Jan 10, 18
 Staatsoper Unter den Linden Tel: 49-30-2052861
 ● Der Fliegende Holländer: by Wagner. Conducted by Simone Young and performed by the Staatsoper Unter den Linden. Soloists include Falk Struckmann, Siegfried Vogel and Ulrich Gustafsson; 7.30pm; Jan 12, 15, 20 (7pm)

■ BIRMINGHAM

CONCERT

Symphony Hall Tel: 44-121-2123333
 ● Bryn Terfel in concert: an evening of choral music featuring the Welsh baritone. With special guest soprano Rebecca Evans, the Froncysyllte Male Voice Choir, the Rhos Orpheus Choir, the Caernarfon Male Voice Choir, pianists Annette Bryn Part and Bryan Davies, and organist Huw Tregele Williams; 7pm; Jan 7

■ BOSTON

CONCERT

Boston Symphony Hall Tel: 1-617-266-1492
 ● Boston Symphony Orchestra: with conductors Eri Kiss and Russell Sherman perform the epilogue ("Out of the World") of Schnittke's "Peer Gynt", Chopin's "Piano Concerto No.2" and Mussorgsky's "Pictures at an Exhibition"; 8pm; Jan 11, 12 (1.30pm), 13, 16

■ CHICAGO

CONCERT

Orchestra Hall Tel: 1-312-435-6666
 ● Chicago Symphony Orchestra: with conductor Daniel Barenboim perform works by M. Wagner, Berg and Beethoven; 8pm; Jan 11, 12, 13

■ COLOGNE

CONCERT

Kölner Philharmonie Tel: 49-221-2040820
 ● Münchener Kammerorchester: with conductor Christoph Poppen and violinist Isabella Faust perform works by Weber, Schubert and Schoenberg; 4pm; Jan 7

OPERA & OPERETTA

Opernhaus Tel: 49-221-2218240
 ● Die Zauberflöte: by Mozart. Conducted by Georg Fischer and performed by the Oper Köln. Soloists include Franz-Josef Selig, Rainer Trost, Harry Peeter and Amanda Halgrimson; 4pm; Jan 7, 12 (7.30pm)

■ COPENHAGEN

CONCERT

Radio House Concert Hall Tel: 45-35 20 30 40
 ● Radiosymfoniorkestret: with conductor Michael Gielen, the Radiokoret and violinist Christian Tetzlaff perform works by Boulez, Beethoven and Bartók; 8pm; Jan 11

OPERA & OPERETTA

Det Kongelige Teater Tel: 45-33 14 10 02
 ● Hamlet: by Thomas. Conducted by Dietrich Bernet and performed by the



Sumi Jo performs songs by Mozart, Debussy and Donizetti in Paris

Decar/Julien Burton

Royal Danish Opera. With the Danish baritone Bo Boe Skovhus in the title role. Other soloists include Inger Dam-Jensen and Randi Stene; 8pm; Jan 9, 13

■ FLORENCE

CONCERT

Teatro Comunale Tel: 39-55-21158
 ● Orchestra del Maggio Musicale Florentino: with conductor Myung-Whun Chung perform Debussy's "La Mer" and Bruckner's "Symphony No.8"; 9pm; Jan 12, 13, 14 (3.30pm)

■ FRANKFURT AM MAIN

CONCERT

Alte Oper Tel: 49-69-1340400
 ● Deutsches Symphonie Orchester Berlin: with conductor Vladimir Ashkenazy and clarinettist Sabine Meyer perform works by Takemitsu, Mozart and Schoenberg; 5pm; Jan 7

OPERA & OPERETTA

Städtische Bühnen - Oper, Ballett, Theater Tel: 49-69-2123744
 ● Samson et Dalila: by Saint-Saëns. Conducted by Sylvain Cambreling and performed by the Oper Frankfurt. Soloists include Margit Neubauer, Hubert Delambey and Philippe Rouillon; 8pm; Jan 7

■ HAMBURG

OPERA & OPERETTA

Hamburgische Staatsoper Tel: 49-40-351721
 ● Così fan tutte: by Mozart. Conducted by Bruno Weil and performed by the Hamburg Oper. Soloists include Solle Isokoski, Ning Liang, Klaus Häger, Rainer Trost, Gabriele Rossmanith and David Pittman-Jennings; 7pm; Jan 11, 15

■ HELSINKI

EXHIBITION

Amos Anderson Art Museum Tel: 358-0-640221
 ● Christo and Jeanne-Claude Projects. Works from the Lila Collection: the exhibition features sketches and scale models of ten projects undertaken by Christo and his wife Jeanne-Claude from the early '70s up to his most recent work, the wrapping of the Berlin Reichstag in 1995; from Jan 13 to Mar 31

■ LEIPZIG

DANCE

Oper Leipzig Tel: 49-341-1261261
 ● Swan Lake: a choreography by Uwe Scholz to music by Tchaikovsky, performed by the Leipzig Ballet; 7pm; Jan 7, 9 (7.30pm)

■ LIVERPOOL

EXHIBITION

Liverpool Museum Tel: 44-151-2070001
 ● The Arts of the Samurai: 14th-19th Century: this exhibition is drawn from the museum's Japanese collections, which have never previously been displayed. The exhibits consist of Japanese armour, swords, sword-fittings and lacquer work from the collection of local businessman Randal Hibbert (1865 - 1942). The exhibition illustrates the European perception of the Japanese following the opening up of Japan to western trade in 1868; from Jan 11 to Aug 28

■ LONDON

CONCERT

Barbican Hall Tel: 44-171-6388991
 ● Royal Philharmonic Orchestra: with conductor Brian Wright and pianist Paul Lewis perform the overture to Rossini's "Il Barbiere di Siviglia", Handel's "Music for the Royal Fireworks", Tchaikovsky's "Piano Concerto No.1" and Beethoven's "Symphony No.3"; 7.30pm; Jan 7, St. John's, Smith Square Tel: 44-171-2221061

● Simon Keenlyside: accompanied by pianist Malcolm Martineau. The baritone performs works by Schubert and Wolf; 1pm; Jan 8

Wigmore Hall Tel: 44-171-9352141
 ● Gustav Leonhardt: the harpsichord-player performs works by Dumont, Couperin, Froberger, Forqueray and Weckmann; 7.30pm; Jan 8

EXHIBITION

Christie's Tel: 44-171-8399080
 ● Harewood Masterpieces: exhibition to celebrate the opening of the new Watercolour Rooms at Harewood. The display includes examples of the English watercolour tradition as painted by the masters of the genre



The sale also includes works by Liotard, Guercino, Piazzetta and Ricci; 10.15am; Jan 9

● Old Master Paintings: included in this sale are paintings from the estate of composer Miklós Rózsa. The sale includes works by Berchem, Wtewael, De Boulogne, Lawrence, Kell and others; 10.15am & 2pm; Jan 11

CONCERT

Avery Fisher Hall Tel: 1-212-875-6030

● New York Philharmonic: with conductor Kurt Masur and saxophonist Kenneth Radnofsky perform Debussy's "Prélude à l'après-midi d'un faune", "Rhapsodie" and "La mer", and Ravel's "Le vase"; 8pm; Jan 11, 12 (2pm), 13, 16

Carnegie Hall Tel: 1-212-247-7800

● Romeo and Juliet: by Prokofiev. Performed by the Orchestra of St. Luke's, conducted by André Previn; 8pm; Jan 13

JAZZ & BLUES

Blue Note Tel: 1-212-475-8592

● Dave Liebman Group: featuring Phil Markowitz, Vic Juris, Tony Mariano and James Haddad; 9pm & 11.30pm; Jan 8

OPERA & OPERETTA

Metropolitan Opera House Tel: 1-212-872-6000

● Don Giovanni: by Mozart. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Jane Eaglen, Patricia Schuman, Ruth Ann Swanson, Thomas Hampson (Jan 10, 13) and Stanford Olsen (Jan 18); 8pm; Jan 10, 13 (1.30pm), 18

THEATRE

Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300

● Parsifal: by Wagner. Conducted by Leif Segerstam and performed by the Royal Swedish Opera. Soloists include Wolfgang Miller-Lorenz, Björn Asker and Sten Wählund; 8pm; Jan 9, 12

STOCKHOLM

Oper & Operetta

Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300

● Admiration for Eternity: Status and Rank in Chinese Ornament: the exhibition explores the cultural context, social meaning, development and imagery of personal adornment in China from the 13th century BC through the Ming dynasty (17th century). The display includes 113 objects of gold, silver and bronze Chinese jewellery, ranging from Eastern Zhou Inlaid bronze belt hooks to gold filigree Ming dynasty earnings; from Jan 13 to Jul 14

STUTTGART

Oper & Operetta

Staatstheater Stuttgart Tel: 49-711-221795

● Lady Macbeth von Mzensk: by Shostakovich. Conducted by Ingo Metzmacher and performed by the Oper Stuttgart. Soloists include Silvia Leerna (Jan 7), Marilyn Schlegme (Jan 13, 16), Marja-Leena Varpio and Wolfgang Probst; 7.30pm; Jan 7 (7pm), 13, 16

THEATRE

Staatstheater Stuttgart Tel: 49-711-221795

● Corresponding Doors: by Ayckbourn. Directed by Christian Pade and performed by Schauspiel Stuttgart (in German). The cast includes Gesine Hannemann, Anke Hartwig, Götz Argus and Bernhard Bader; 7.30pm; Jan 12

OSLO

Oper & Operetta

Norsk Opera Tel: 47-22-429475

● Turandot: by Puccini. Conducted by Martin Turnovsky and performed by the Norwegian National Opera. Soloists include Judjon Oskarsen, Giorgio Tieppo and Itzak Gallo; 7.30pm; Jan 8

OXFORD

EXHIBITION

Ashmolean Museum of Art & Archaeology Tel: 44-1865-278000

● Helen Saunders: retrospective exhibition of works by Helen Saunders (1885 - 1963), who became a member of the British avant-garde in the beginning of this century, signing the Vorticist Manifesto in 1914 and contributing to Wyndham Lewis's magazine "Blast". In the 1920s Saunders changed from the abstraction of Vorticism to the world of landscape; from Jan 9 to Mar 3

PARIS

CONCERT

Maison de Radio France Tel: 33-1 40 22 22

● Orchestre National de France: with conductor Charles Dutoit and pianist Pascal Rogé perform Mozart's "Don Juan" and "Piano Concerto No.25" and Poulenc's "Aubade" and "Sinfonietta"; 8pm; Jan 9

Salle Gaveau Tel: 33-1 45 62 69 71

● Sinfonia: the coloratura soprano performs songs by Mozart, Schubert, Debussy and Donizetti; 8.30pm; Jan 8

Salle Pleyel Tel: 33-1 45 61 53 00

● Symphony No.8: by Bruckner. Performed by the Orchestre de Paris with conductor Seamus Bychko; 8.30pm; Jan 10, 11, 12

THEATRE

Théâtre des Champs Elysées Tel: 33-1 49 52 50 50

● Augustin Durmaz and Maria-João Pires: the violinist and pianist perform Beethoven's sonatas for violin and piano Nos. 4 and 7; 11am; Jan 7

Théâtre du Châtelet Tel: 33-1 40 28 40

● Verlaine et la mélodie: mezzo-soprano Ann Murray, baritone François Le Roux and pianists Jeff Cohen and Graham Johnson perform works by Faure, Chausson, Hahn, Nicolai Hartmann, soprano Elisabeth Meyer-Töpse and baritone Andreas Schmidt perform works by Dusapin, R. Schumann and Zeml



James Morgan

You say democrats, I say dictators

The fragile flower of democracy is viewed very differently on each side of the English channel

The festive season was marked by the usual outpourings of goodwill in Britain. As ever, its neighbours had to bear the full force of the outbreak and suffer yet another dose of good old bulldog realism. So it was that the celebrated novelist, Frederick Forsyth, produced an essay in the *Sunday Telegraph* tastefully entitled, "Will I too have to fight the Germans?" His argument concluded: "I recall the anthem 'Deutschland über Alles'. I do not want the land of my fathers to become part of the *Alles*." The Land of my Fathers usually means Wales, which makes this sentence a bit confusing.

That was followed by a lengthy piece in *The Times*, headed "A too

German Union", by Lord Rees-Mogg. Rees-Mogg is a regular commentator on the superiority of British political and economic arrangements. This time he wrote: "The German political tradition is undeniably authoritarian" and "Adenauer and Kohl are authoritarian democrats". He noted that English culture is liberal and pluralist while Germany has a "control culture". The argument was fleshed out with telling references to Adolf Hitler and Bismarck.

Forsyth had come to a remarkably similar view: "The difference between the British and German peoples lies not in language, diet, culture or history, but in attitudes to authority: the British will always dispute it, the Germans

will always worship it."

Anyone who avoids the clichés of national stereotypes and casts aside ancient prejudices always receives a generous welcome in this column. So in the interest of fairness I am compelled to reprint here comments from a new year comment by the well-known German columnist, Helmut Alleswiser, in the *Rattenjäger-Tageszeitung* of Hamelin.

Under the heading, "Away with this British Dictatorship", Alleswiser lamented the way Britain expected other members of the EU to put Britain first and sacrifice their interests to its. "This nation has no knowledge of the limits of its power, living as it does in a post-imperial dreamworld where it

can dictate the way things should be done by so-called lesser breeds." He then evoked the authoritarian traditions of British politics. "Where else is there a democracy that enshrines the sovereignty of parliament, a nation which gives *carte blanche* to that body to do whatever it likes? Which enabled Lady Thatcher to abolish the age-old government of London in a single command?"

The article then listed the "astonishing changes" to which the British had submitted in the past 15 years without any of them, he said, having been part of the government's election programme. "And," he concluded, "all this was done by a government which held an overwhelming majority in parliament having received only 40

per cent of the popular vote. The British accepted it all. In France one-tenth of the same medicine had the people on the streets. The French are attached to their traditions and will fight to preserve them. The British will always submit to what they themselves call 'an elected dictatorship'."

Alleswiser concluded by quoting the second verse of the British national anthem: "O Lord our God arise, Scatter her [the Queen's] enemies, And make us fall on our knees before Britannia."

It is unusual to come across such half-truths, distortions and self-assertion in European papers. You just can't trust these continental.

Peter Aspden

More pranks in the banks



I marched into my local bank on the last day before Christmas with the traditionally purposeful air of one who has urgent business to do: imagine my surprise when I was greeted by a splendidly eccentric vision of life on the Hispaniola.

Fishing nets draped over the office; a skull-and-crossbones flag fluttering in the corner; counters marked "Gallows" and "Gundowner" instead of deposits and withdrawals. The manager's office, normally a haven of dignified quietude, had become "Captain Goatee's Beard Cabin". The young clerk behind the counter, naturally enough, had a plastic parrot attached to his shoulder and a black eye-patch worn casually across the forehead.

I grumbled something unseasonal about being glad I was not there to negotiate a delicate overdraft. But a foreign friend shook me from my grumpiness. This, I was reminded, encapsulated everything that was great about the English: the championing of horseplay over pomposity, the democratic willingness of everyone to join in the fun, the feeling that people were enjoying themselves in their work, and why not?

Why not, indeed. I was forced to agree. The customers were certainly entering into the spirit and the entire building seemed to radiate with good humour. It would become - did become in my case - a funny story to tell over the Christmas dinner.

But the question hammered away at my mind during the entire holiday: why could it not always be like

'Tessa' and 'Pep' should not be repeated more than once in a conversation

this? If people so obviously appreciated these examples of mild non-conformism at Christmas, would they not also respond favourably if they were to occur outside that tiny time bubble of frivolity?

Banks, I will admit, have a problem. They stand for solidity, security, safety. Employees are encouraged, within weeks of engagement, to acquire that "officiousness of hierophants tending an eternal flame" described by the American essayist Lewis H. Lapham. The qualities of improvisation, spontaneity and quick wit are hardly what we look for when we entrust an institution with hard-earned cash.

Money is a serious business, bank managers argue. But only up to a point. For the *making* of money, as we are constantly reminded, requires precisely those qualities of verve and imagination which are so unjustly discouraged in high street institutions.

Listen to any lunchtime conversation between our trader friends in the City and it will be anything but serious: jovial, fast, intense, vulgar, but rarely serious. Hell, they even to get to wear those ridiculous yellow and red jackets while the rest of us pay homage in boring, pin-striped solemnity.

Thus we have an unfortunate bifurcation: those who make money, who possess lots of it, who shift it round the world with princely abandon, celebrate with due lack of reverence, for they can afford to. But that leaves the rest of us, tired, cautious, worried, a little afraid, seeking comfort from bland certitudes and uniformity. "Greed is Good," said Gordon Gecko. "Grey is Safer," we reply. Grey suits, grey hair, grey prime ministers.

Christmas pranks in high street banks are like the glass of sherry dispensed before an Oxford tutorial: here is a little tipple to relax you, but do not forget - you have a difficult time ahead and it is best that you do not drink too much.

It does not take a genius, nor even a Nick Leeson, to realise there is much cant and hypocrisy going on here.

But we have it in our hands, as customers, to change things. It does not have to be pirates on the ocean waves, but I shall personally demand that all my future financial transactions be conducted with some degree of wit, flamboyance and creativity.

Furthermore, I shall unhesitatingly transfer my accounts to any one who agrees with me that 25 years is far too long a time-scale over which to make rational decisions, that the words "mortgage", "Tessa" and "Pep" should not be repeated more than once in any conversation, and that capitalism is on the verge of worldwide collapse.

But a word of warning: if he or she were to misplace any of my money, I would not see the joke at all, parrot on the shoulder notwithstanding.



Lunch with the FT

Living up to the family name

Lucy Kellaway meets Michael Grade, who insists that insecurity drives him to work 12 hours a day

He changed tack. "I'm having a wonderful day today. At the start of

the morning, I had a board meeting of our television and film distribution business, which is a wonderful export success story. At 12 I had a meeting with Chris Evans [a television and radio performer] and we had a long heart to heart. Lunch with you. This afternoon, I've a meeting on the funding formula. This evening we've got the launch of a film distribution business. A fun-packed day."

And what would be a bad day? I asked, walking straight into it.

"Lobbying the government. It makes me so angry. They've asked us to go into competition with the BBC. Sigh. "He was off again.

Our lunch had been going for half an hour but so far we had eaten nothing. "Hello, are you serving food today?" he asked a waiter.

Thinking about his steak and kidney pie, I asked if he was still on a diet. "No, but I ought to be. I am slightly overweight but nothing too

gross. I love my food. I love my beer. But I need an incentive. If you fall in love, you are much more attractive if you are a stone and a half lighter."

Clumsily, I asked if any such incentive was presenting itself, but he misunderstood the question. "I've got a bad back. It has been very bad these last three months. I went off to see this man, Mr Crock. He said take a 75ml aspirin every day and walk 2 miles. That's a fat lot of help. The chances of me finding time for that."

This led to a discussion of the pressures of his job. "I work 12 hours a day if I'm lucky. That's a good day. A lot of it is insecurity - I am driven. It's the sign of insecurity, but it's served me very well. Working harder than my competitors has given me an edge."

I protested, feeling impatient at this ultra-smooth man going on about how insecure he was.

"Put it this way, I have an enormous responsibility to live up to the family name." Every morning he talks to his uncle Lew on the phone. "We chit chat. Gossip. A bit

long lenses. I should have given the boys a story, let them write their worst - all their terrible, horrendous, envious stuff."

His voice became hard and bitter. "If they had to work as hard as I've worked in my life, they wouldn't have lasted three minutes. I stood there screaming until they went away. My toes curl at the memory of it. When you are exhausted, you don't think properly."

This led to a discussion of the pressures of his job. "I work 12 hours a day if I'm lucky. That's a good day. A lot of it is insecurity - I am driven. It's the sign of insecurity, but it's served me very well. Working harder than my competitors has given me an edge."

I protested, feeling impatient at this ultra-smooth man going on about how insecure he was.

"Put it this way, I have an enormous responsibility to live up to the family name." Every morning he talks to his uncle Lew on the phone. "We chit chat. Gossip. A bit

of business. He is the best. Magic man. Magic."

I asked if he thought of himself as more or less of a workaholic than, say, BBC director-general John Birt or his friend at Carlton television, Michael Green.

"John Birt is driven by his background. He comes from second generation immigrants, Ukrainians." Grade seemed reluctant to discuss his erstwhile colleague, with whom relations are strained. "We are able to converse," was how he put it.

"But Michael Green is a wonderful man, he has a wonderful balance. He is driven, but fantastic at creating time for his family. I don't know how he does it. It's because he has a wonderful character."

I wondered how the famously private Green would feel about his friend discussing his family life.

When Grade finally gets home from work, he turns on the television. "I've got one in every room."

With the enthusiasm of a born marketing man, he started to talk about

his favourite programmes.

"I'm just looking at my watch to see if I have time for a cigar," he said. "I will smoke. Do you mind?"

Cigar lit and coffee brought, I asked him to tell me a joke. "Let me think for a second." For the first and only time during lunch, there was a second's silence. "The best jokes are Rory Bremner's," he said, slipping in another plug for Channel 4, which produces the improvising show. He imitated Bremner's imitating Labour party leader Tony Blair. It was quite funny. But not as funny as a vicious imitation by the former editor of *The Times*.

Cigar finished, he said thank you, nicely, and stepped into his chauffeur-driven car to proceed with his wonderful day. Later, I received a letter saying: "Hope you got what you wanted/needed, hope I like it when I see it. Yours 'til the funding formula is abolished," followed by a hirlyphic which might have said Michael Grade.

in the number of serious casualties.

The National Lottery represents a huge increase in the number of people gambling on a regular basis. Some 30m people every week spend at least two pounds, some a great deal more. The number of addicts has also inevitably increased. Gamblers Anonymous reports an increase of 20 per cent in the number of calls for help since the start of the National Lottery.

Bottomey appears to dismiss all criticism in a cavalier way as "deriding a great success". For Camelot, the lottery is an unfailing weekly jackpot which has exceeded all its expectations. For people who enjoy a weekly thrill of harmless expectation, for people who play games in their heads, for some of the winners, and for the good causes, it is a big success.

But the more successful it is, the more people who are lured to play by the vast prizes, the greater the number of serious casualties. For the health of society as a whole, the lottery needs not pontificating statements, but a large number of abstainers.

Truth of the Matter / Philip Crowe

Abstaining from the Lottery

Needless to say, I have so far won nothing. Statistically, the chances of my winning are worse than having a serious accident with my bridge door, since I have not yet bought a ticket. But this week's massive jackpot has tempted me to play even more elaborate games: a charitable foundation, perhaps, with interest of £40,000 to disperse every week, and a full-time director (me, of course) paid a modest salary and expenses.

Already the games are becoming less innocent, and still I have not bought a ticket. I am not dissuaded by the "sight-bite" of the episcopal finger seen on TV news, pointing ominously at that over-worked verse from the Bible: "The love of money is the root of all evil."

It seems a little extravagant to assert that love of money is the root

cause of all evils, and a little elementary research indicates that the verse as usually quoted is not accurate.

The original Greek has no definite article before the word root. Love of money is a source of all evil. So that is all right then. Nor am I dissuaded, nor much, by the fact that the chances of winning are extremely slight, and the price of buying just one ticket, having to leave that high moral ground which is strictly reserved for those who have never once played. Abandoning such self-righteousness would be a compelling reason for spending at least £1.

What really sets me against making any contribution to what Virginia Bottomley, the Heritage Secretary, describes as "harmless fun", curiously. The Report of the Royal

"gives strong empirical support to the statement that per capita consumption and health damage from alcohol go hand in hand, up hill and down dale." In the 25 years before the report was published, consumption of alcohol in Britain increased by 87 per cent. We are now drinking even more, and in consequence, the number of alcoholics is well over 1m. The increase in limits for "safe drinking", announced by the Health Secretary just before Christmas, are likely to make a bad situation worse. The Department of Health has apparently forgotten the conclusions of the Royal College of Psychiatrists.

What is true of alcohol is also true of gambling. A substantial increase in the number of people enjoying a "harmless flutter" is likely to result in a marked increase

There is one big snag about this week's huge National Lottery prize: it provides an incentive for yet more pontificating.

The Right Reverend Nigel McCulloch, Bishop of Wakefield, has described such a large prize as "obscene", and has uttered, with sepiachal charm, his general condemnation of the whole business.

By happy coincidence, on the day his views were reported, Radis J's Daily Service was led by the Right Rev Christopher Mayfield, Bishop of Manchester, who told us, *en passant*, that the organ of the church from which the broadcast came was about to fall silent for several months while it was completely overhauled, using money provided by the National Lottery.

In the early days of the lottery, I spent my enormous winnings many times over. I have funded the Jerusalem Centre for the Disabled, endowed the college of which I used to be principal, given massive amounts to Christian Aid, while my personal lifestyle has, of course, not changed at all.

College of Psychiatrists on Alcohol and Alcoholism.

Until that report was published, in 1979, conventional wisdom was that there was no connection between normal social drinking and alcoholism.

For the vast majority, it was thought, social or even quite heavy drinking was no problem, and separate from alcoholism. A few people, through unfortunate body chemistry, hard circumstances, or broken relationships, will degenerate into alcoholics, but the number of such people is not affected by normal drinking.

What the report demonstrates, by drawing on a mass of statistical and social data, is that there is a direct correlation between normal, social drinking and alcoholism.

"The evidence," says the report,

Weekend Investor

Wall Street

AT&T rings some unwelcome changes

Mass lay-offs add impetus to a new industrial revolution, writes Maggie Urry

Happy new year. That is, unless you work for AT&T. The spirit of goodwill did not last long for employees of the US telecommunications giant, which is in the process of splitting itself into three. On Tuesday, they learned that 40,000 jobs were going, including 30,000 through involuntary redundancies.

The unhappiness is not confined to those 40,000, though. AT&T has not yet told its 300,000 staff which of them is going, which means uncertainty will hang over the workforce for many months to come. And even those who eventually survive this round of job losses, having already escaped the 17,000 reduction in the head count over the past four years, will be wondering if further cuts are to come.

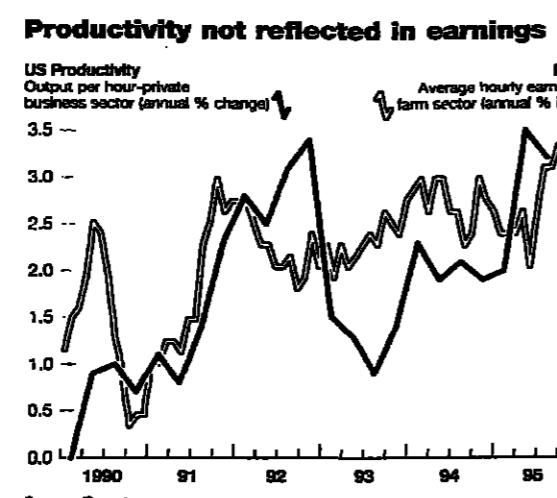
Given that uncertainty, are those people likely to be rushing out to buy cars, houses, washing machines or even take a holiday?

If workers had not realised already the era of a job for life has gone, AT&T's new year cuts may seem brutal, but no more so than the action taken by many companies in America and elsewhere in the industrialised world. Industries particularly affected are those such as AT&T in which technological changes mean people are being replaced by machines. It is little short of another industrial revolution.

In the end, it could prove that this industrial revolution, like that in Britain late in the 18th century, will produce a newly vibrant manufacturing sector. But, in the shorter term, it is hardly surprising that consumer confidence is not as high as the stock market. Or that retailers are complaining that their Christmas sales were as bad as in the 1990-91 recession, if not worse.

While productivity has been rising sharply in recent years, average earnings have lagged far behind. That has been beneficial to corporate profits and profit margins, but has kept a lid on inflation, in turn allowing the Federal Reserve to ease interest rates. That combination helped to fuel the rise in the stock market last year.

Market strategists would like to see it continue. Most are not too concerned if consumers are under pressure. Low growth in spending would help to keep inflation down, enabling more interest rate cuts. And corporate profits can continue to



rise, though less rapidly. Furthermore, if employees fear being laid off, they might save more and perhaps invest more in the stock market.

There are a few voices being raised over the plight of the consumer. Will not the weak retail demand eventually work back through the supply chain even to the basic industries? This economic recovery has shown the weakest rise in consumer spending of any since the second world war.

There is, however, at least one voice arguing the opposite. The threat to the markets in 1996, says Stephen Roach, chief economist at Morgan Stanley, is that the consumer will spend more than many think. That would mean inflation picking up and interest rates not coming down.

Roach argues that after years of pay restraint, employees could start to press for a share of the improved profits their employers have been enjoying.

He points to the example of the strike at Boeing, and last October's election of John Sweeney, a militant, as head of the American Federation of Labor and Congress of Industrial Organizations, a body akin to the UK's TUC.

Boeing, the aircraft manufacturer, settled a 10-week strike of 33,000 machinists in mid-December on terms considered favourable to the union - including a 10 per cent bonus and a promise of a 14 per cent pay rise in 1997. Only a few days later, Boeing announced plans to increase production as worldwide demand for aircraft was recovering. It seems it needed those workers.

In spite of the bombshell

Fasten your seatbelts. If the first week of 1996 is anything to go by, it is going to be a volatile year. In just the first four days of trading, investors have dealt with all-time highs across Europe, the defection of a Conservative MP, the resignation of the Japanese prime minister, the dismissal of the London Stock Exchange chief executive, and a threat to impeach the US treasury secretary.

Accordingly, the FT-SE 100 index bounced around like an aircraft during a thunderstorm. At one point on Tuesday, the leading index was 22.4 points lower, at 3,668.9, on the back of fears about the government's stability after Tory MP Emma Nicholson's defection to the Liberal Democrats.

Then a strong start to the year on Wall Street inspired the market to rise 27.7 to a new all-time closing high of 3,715.8 on Wednesday. London was merely joining in the trend; shares in Amsterdam, Brus-

sels, Cyprus, Dublin, Frankfurt, Johannesburg, Madrid, Oslo and Zurich reached all-time intra-day or closing highs on the day.

On Thursday, the index eked out another 7.4 to an intra-day high of 3,723 in the morning but ended lower on the session. Worries about the ability of the US to put together a budget deal, in the face of Republican threats to impeach treasury secretary Robert Rubin, knocked Wall Street late on Thursday and caused Footsie to open with a 25-point loss yesterday.

A brief recovery followed but, in the afternoon, the Dow Jones Industrial Average was mostly weaker and Footsie finished 9.6 points lower at 3,704.5. Nevertheless, the leading index ended the week above the 3,700 level and the FT-A All-Share index managed to record more all-time highs.

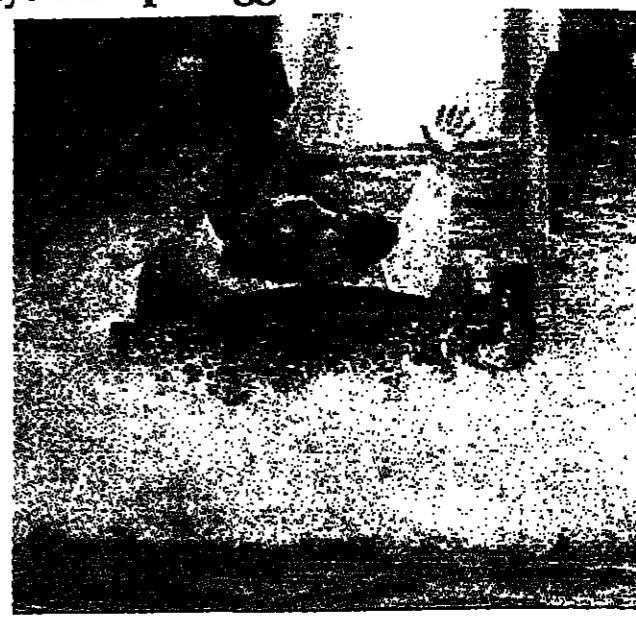
If anything, the broad market has been performing even better than the leading index this week, in the first three

days of trading, advancing stocks outpaced declining ones by more than two-to-one.

The broad market's strength brought the yield on the All-Share down to 3.75 per cent by Thursday night, lower than at any time during 1995. It has not normally been a good time to buy equities when the yield has been below 4 per cent.

The irony is that the year has started with such turbulence when most City commentators do not expect 1996 to be that exciting for equity investors. Most fundamental analysts are forecasting that Footsie will make modest progress in 1996, with predictions for its end-year level ranging between 3,700 (NatWest Securities) and 4,000 (SGST). Even the most optimistic, Ian Harnett of SGST, who is predicting a 4,000-4,250 end-year level, is not expecting Footsie to match 1995's 20.3 per cent increase.

Among the bears, Mark Brown, of ABN-Amro Hoare Govett, has a target of just 3,500. He cites political risk,



Investors should be ready for a bumpy ride in 1996

Tony Andrew

slowing profits growth and a likely correction on Wall Street.

Robin Aspinall, of Pannure Gordon, a pessimist about the market last year, thinks liquidity factors might drive Footsie up to 3,800 or 3,900 in the next few weeks, but will then act to drive the market below its present level later in the year.

But bulls may take heart from those who study the charts. Brian Marber, a technical analyst, expects Footsie to reach 4,200 by June on the basis of the average rise after a Coppock buy signal (this indicator, based on 11 and 14-month averages, flashed green at the end of April 1995). And, given the rather cautious forecasts of many analysts for the London market, he thinks there is a chance Footsie could do even better.

Robin Griffiths, chief technical analyst at broker James Capel, is expecting a strong move soon, reaching a new all-time high of 4,300 in the spring.

Among all types of analysts, the consensus seems to be that shares will start the year well but then fall back later on as investors start to worry about the approaching general election and the Labour party victory indicated by opinion polls.

An election must occur before May 1997, but by-elections may cause the government's majority to evaporate before then.

Perhaps the political fears are overdone. Stock market historian David Schwartz points out that shares rose in the six months before Labour's 1945, 1950, 1964 and 1966 election victories. They did fall sharply before and after Labour's 1974 election victory.

ries however.

Concern this time seems to focus more on Labour's micro-economic policies, such as the minimum wage, rather than its handling of macro-economic issues, such as inflation and government borrowing, which have caused problems in the past.

It seems likely that the market will be plagued by political jitters throughout the year, acting as a brake on its attempts to approach 4,000. One possible driving force, of course, could be a continuation of 1995's bid activity. There were plenty of rumours last week, notably in the insurance sector, but no actual deals - not even the much-expected increased bid for Forte from Granada.

But the factors which fuelled the takeover boom in 1995 - low interest rates, strong corporate liquidity and a desire to act before a change in government - continue to operate. Indeed interest rates in the UK and the rest of the world continue to be the key to stock market performance. It is rare for share prices to fall while interest rates are declining.

Many analysts are hoping for two or more cuts in UK rates this year. But the short sterling future, the market's vehicle for speculating on rate changes, is expecting only a quarter-point cut in rates by September. After then, the future shows rates rising gently to reach 7 per cent by December 1997. If that proves correct, then the stock market could well face a problem later in the year.

Barry Riley



Unlocking Europe's potential

The promise is there but attitudes need to be changed

These days, continental Europe's economies and stock markets tend to get a bad international press. Not only do the UK's Europhobic newspapers habitually sneer at everything continental, and the Americans are strongly critical of what they see as semi-socialist industrial policies and Bundesbank-dominated monetarism. Buy the bonds but sell the equities is the mood of the strategists.

But perceptions can be fickle and backward-looking. It is the future that really matters. It reminds me very much of the negative image that America itself presented in the 1980s, and which I discussed in one of the very first of these Saturday columns back in October 1987.

For a number of years before that, American stocks had performed lamentably by international standards, creating a poor reputation that has led directly to the under-exposure of global investors to US equities in the 1990s. For instance, UK pension funds have only about 4 per cent of their portfolios invested in Wall Street, against nearly 10 per cent if they had a full, index-weighted US exposure.

In the 10 years up to 1986, the average annual return on US equities lagged anywhere between 5% and 10% percentage points behind the

returns (in dollars) on equities in Germany, the UK and Japan. Earnings growth in the 1980s was terrible, partly because of the over-valuation of the dollar that squashed traditional US industries and partly because of the slowness of the response by management to global competition (in the car industry, for one). Any big US company with "General" in its name became regarded as synonymous with industrial decline.

I said, however, that it was wrong to dismiss US business as having moved irrevocably from domination to decadence. A turning point was near.

I have to confess that the judgment could have been better timed, given that the Wall Street crash arrived the very next week. But, indeed, since the end of 1987, Wall Street has easily outperformed the World Index. For example, in the six years of the 1980s so far, the annualised return on the FT/S&P Actuaries US Index, at 13.2 per cent, has trounced the mere 3.1 per cent available on the World ex-US Index. And we can note that those "Generals" are respectable again: in 1995, General Dynamics' share price rose by 36 per cent, General Electric's by 41%.

Perceptions of the US economy have changed. Is this because overall economic performance has improved? Not obviously, because

average annual growth has slipped from 2.5 per cent in the 1980s to 2.2 per cent in the 1990s. Of course, the US has been prominent in glamorous new industries such as personal computers, biotechnology and the media.

Europe's growth rate has also declined slightly, to 1.7 per cent, but there has been a

The Continent is burdened by over-valued currencies and fossilised managements

much sharper slowdown in Japan, home of the world's second-biggest stock market, which has seen negative returns in the 1990s. So, the Pacific balance of power has shifted back from Japan towards America; but, in absolute terms, the US has scarcely been revitalised.

It is not economic growth but the changed distribution of rewards that has helped to transform the performance of Wall Street. The dollar has been competitive in the 1990s, while much of US industry has re-engineered itself to enhance shareholder value.

According to the OECD, returns on capital in the US have risen sharply from 16 to

20 per cent since 1988. In three years, earnings per share have jumped by two-thirds, admittedly from a 1992 base affected by write-offs.

For the US in 1987, now read continental Europe, burdened by over-valued currencies and fossilised management attitudes. The issues here extend far beyond the need to respond to Asian competition. The bigger challenge is to accelerate the pace of restructuring in the context of multiple stakeholder philosophies (shareholders don't always come first, or even second) and routine political interference.

Not that European stock markets have performed that badly in the 1990s. Although the local currency return on the Europe ex-UK Index was a modest 12 per cent in 1995, that turned into 22 per cent when expressed in US dollars. And although Europe is supposed to be a single market, investors neglect the national differences at their peril.

At the extreme, there is the example of Italy, a substantial economy which has been growing quite healthily of late but where equity returns were slightly negative last year. The decline ended a stock market capitalisation which is now only about one-eighth per cent the size of the UK's (although the two countries' GDPs are comparable in magnitude, depending on

guesses about the size of Italy's black economy). With its murky corporate governance practices and botched privatisation deals, Italy symbolises Europe's stock market shortcomings - but also indicates its potential.

Two factors may well galvanise continental Europe's corporate performance over the next five to 10 years, however. One is the need to harmonise corporate governance with international standards if capital is to keep flowing from the US, Japan, and the big global funds controlled in London. The second is the challenge of reforming social security systems and creating funded pension schemes which can direct their long-term investment flows into equities as well as bonds.

There should, after all, be a growth pay-off from the accelerated economic integration of the 1990s. It is true that European industry needs to fill some important gaps, notably in innovative areas of technology. And perhaps it does not appear likely that large swathes of traditional European industry will reinvent itself as the Americans have done.

But then, it did not seem

obvious in the late 1980s that the Americans, so overshadowed by Japan at that time and apparently sliding into industrial decline, would respond as they did.

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| Manager Nat. Mutual Res. Reserves | | | | Pension Funds | | | | Deposit Pd | | | | Prudential Individual Life Funds | | | | Scottish Amicable | | | | Standard Life Assurance Co Ltd (2) | | |
| Capital Secure | 200.00 | 172.41 | | American (Msc) | 1057.5 | 110.5 | -5.3 | Deposit Pd | 1140.51 | 148.01 | +0.01 | American Life Funds | | | | Scottish Amicable | | | | Teachers' Assurance Company Ltd | | |
| Balanced Portfolio | 204.05 | 172.41 | | Asian (Msc) | 278.1 | 260.0 | +0.1 | Take Out of Tax | | | | Managed | 812.4 | 980.5 | +0.7 | Capital Guarantee Bond | 121.5 | 128.5 | | Western Funds | | |
| Unit Holder | 133.35 | 138.07 | | Asian Growth (Msc) | 208.2 | 212.0 | -2.5 | | | | Equity | 1780.4 | 1892.1 | +1.3 | Distribution | 107.8 | -0.35 | | Managed Fund | 304.7 | 313.5 | -0.10 |
| Investment | 166.84 | 175.35 | | Deposit (Msc) | 1057.5 | 110.5 | -5.3 | | | | International | 720.8 | 768.2 | +0.5 | | | | | Capital Fund | 274.5 | 274.5 | -0.70 |
| Capital Secure | 166.84 | 91.22 | | European (Msc) | 472.0 | 495.5 | +2.8 | | | | Manufactured | 617.3 | 645.0 | +1.7 | | | | | Equity Managed | 284.0 | 284.0 | -0.70 |
| Leisuretime Life plc | | | | European (Int) | 207.1 | 217.0 | -0.1 | | | | Property | 591.4 | 591.4 | -0.1 | | | | | Pensions Managed | 242.5 | 242.5 | -0.10 |
| | | | | | | | | | | | Scottish Equitable plc | 456.0 | 456.0 | -0.1 | | | | | Property Fund | 153.6 | 160.8 | |
| | | | | | | | | | | | St. M. & A. Assurance Co. Ltd | 100.0 | 100.0 | -0.1 | | | | | Scots Disposers | 150.1 | 155.5 | |
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| £4,000-£10,000 | 5.25 | 4.19 | 5.91 | 0.00 |
| £10,000-£20,000 | 5.00 | 4.19 | 5.91 | 0.00 |
| £20,000-£50,000 | 4.75 | 4.19 | 5.91 | 0.00 |
| £50,000-£100,000 | 4.50 | 4.19 | 5.91 | 0.00 |
| £100,000-£200,000 | 4.25 | 4.19 | 5.91 | 0.00 |
| £200,000-£500,000 | 4.00 | 4.19 | 5.91 | 0.00 |
| £500,000-£1,000,000 | 3.75 | 4.19 | 5.91 | 0.00 |
| £1,000,000-£2,000,000 | 3.50 | 4.19 | 5.91 | 0.00 |
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| £200,000,000-£500,000,000 | 1.75 | 4.19 | 5.91 | 0.00 |
| £500,000,000-£1,000,000,000 | 1.50 | 4.19 | 5.91 | 0.00 |
| £1,000,000,000-£2,000,000,000 | 1.25 | 4.19 | 5.91 | 0.00 |
| £2,000,000,000-£5,000,000,000 | 1.00 | 4.19 | 5.91 | 0.00 |
| £5,000,000,000-£10,000,000,000 | 0.75 | 4.19 | 5.91 | 0.00 |
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| £50,000,000,000-£100,000,000,000 | 0.00 | 4.19 | 5.91 | 0.00 |

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OFFSHORE INSURANCES

Selling Price Buying Price

AMERICA

US budget uncertainty mars trading

Wall Street

US share prices were volatile yesterday as uncertainty about the budget debate continued to rattle shares in larger companies. Technology shares reversed several days of weakness as investors searched for bargains, writes Lisa Brunton in New York.

The Dow Jones Industrial Average slid more than 20 points at the opening, and then bounced momentarily into positive territory before falling back in the early afternoon. At 1pm the Dow was off 7.95 at 10,615.88.

The Standard & Poor's 500 was also volatile, although it never made it into positive territory. At 1pm the index was

2.5 lower at 615.45. The American Stock Exchange composite shed 6.03 at 542.44. NYSE volume was 246m shares.

Bonds exerted some influence on shares yesterday as they slipped amid confusing signals from the parties debating how to balance the federal budget.

The Nasdaq composite, which had fallen nearly 3 per cent in the previous two sessions started the day with a decline of another 1 per cent, but turned positive in the late morning as investors were encouraged by lower prices. Near 1pm the index was 2.06 higher at 1,031.90.

Microsoft, which had fallen more than \$2 on Wednesday and Thursday, was 8% higher, Apple Computer

added \$1 at \$322 and Dell Computers climbed 1% at \$334.

Adobe Systems was credited with sparking some of the early sell-off. The computer software maker reported earnings of 40 cents a share late on Thursday. Analysts had expected earnings closer to 57 cents a share. Shares in the company tumbled \$15 or 27 per cent to \$42.

Marvel Entertainment Group fell 3% or 3 per cent to \$12.4 after announcing that it anticipated a loss for the quarter because of a \$26m charge taken to restructure its trading card operation.

Commercial banks, which were among the strongest performers last year, continued the sharp losses made on

Thursday amid fears that they had reached a peak in their profitability cycle. Citicorp fell 1% at \$63.10, JP Morgan was off 3% at \$76.10. Chemical Banking was 3% lower at \$55 and Chase Manhattan Bank slipped 1% at \$57.04.

Toronto headed back to record setting territory in mid-day trade as a shining gold sector helped to offset a sagging bond market. The TSE-300 Composite index was 17.25 higher by noon at 4,243.00 in hefty volume of 41.6m shares.

Among actively traded gold stocks, TVX Gold rose 6% to C\$10.00 and Barrick Gold was 6% higher at C\$8.37, after a 52-week high of C\$8.87 earlier.

Commercial banks, which were among the strongest performers last year, continued the sharp losses made on

Latin America

MEXICO CITY decided that it was time to take profits after a week which had seen a number of impressive rises over several sessions. By mid-session the IPC index was off 2.07 at 2,974.60.

Dealers said that a fall in domestic interest rates had caused a number of investors to move cash out of the market.

Buenos Aires was marginally higher in midday trading, recovering from an earlier decline. The Merval index was up 3.55 at 556.46.

SAO PAULO continued to move headway, and by early afternoon was up 120.79 at 46,961.

ing core earnings to grow only 1 per cent in 1996.

The team likes the Netherlands, as well as Germany, among the core European countries. "Our peripheral market of choice is Spain," it says.

Mr Reynolds says: "The rebound in corporate earnings over the last 12 months have brought down European price/earnings multiples down to more comfortable levels. That said, the outlook for equities in continental Europe remains mixed. The strength of the D-Mark continues to cast a shadow over the German earnings outlook and in the near term, we find it difficult to justify a positive stance on the German stock market."

On emerging markets, BZW's Mr Hughes strikes a cautionary note. "It will pay to be selective," he says. "We don't think investors' tolerance for risk is high and the economic risks of investing in some countries have increased. We are below benchmark in Latin America, and modestly above benchmark in South East Asia."

The fundamental arguments for investing in the Asian region remain intact," argues Mr Reynolds. "The growth prospects in Asia look difficult to surpass elsewhere in the world."

Mr Chambers of James Capel is highly enthusiastic about south-east Asia, where he expects the markets to turn around in 1996. But in Latin America, he says: "Mexico is still under a cloud. The inflation problem will be trickier for longer than expected and double digit inflation doesn't sit with a market p/e of 15-20. Investors are also too optimistic about the outlook for corporate earnings."

Strategists may differ in their individual favourites but few seem to be aggressively bearish about 1996. Summing up, Mr Hughes says this is a year when "we want to be fully invested. The supply of credit globally is the highest for 20 years and even if growth picks up, competition for funds won't develop from the real economy".

Japan in pole position as strategists view 1996

Philip Coggan notes a mood of cautious optimism

Last year was not an easy one for investment strategists. There were some volatile moves: the Dow Jones Industrial Average passed between 4,000 and 5,000, the dollar fell to Y100 and climbed back to Y100 and bonds reversed their 1994 declines.

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EUROPE

Russian resignation weakens Frankfurt

The resignation of the Russian foreign minister may have underpinned gains in gold bullion but it hurt one or two bourses on a day already undermined by falls in the dollar, the Dow and US treasures, writes *Our Markets Staff*.

FRANKFURT displayed its usual sensitivity to Russian politics, said Mr Detlev Kluh, head of trading at B Metzler. Equities moved from equilibrium in the morning to decline in the afternoon, the Dax index closing 17.15 down at an Ibis-estimated 2,815.66, still 2.7 per cent up on the week.

Turnover eased from DM8.4bn to DM8.1bn. The falls were led mostly by the cyclicals which had led the week's advance: in the automotive sector, the tyremaker, Continental, lost 37 pfg at DM20.43; in chemicals, Bayer dropped DM6.40 to DM9.94; and in steels, Thyssen fell DM3.30 to DM27.70.

PARIS was more involved in profit-taking than in external events as the CAC-40 index slipped 13.49 to 1,917.72. The bourse rose 2.4 per cent on the week, while turnover was relatively at 1FF7.4m.

Carrefour, the retailer, led active stocks as it declined 1FF7.5 to 1FF7.06. Dealers said that weekend profit-taking was the cause of the fall: the stock

FT-SE Actuaries Share Indices

| Jan 5 | THE EUROPEAN SERIES | | | | | | | | | |
|-------------------|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close | Price |
| FT-SE Baratck 100 | 125.45 | 125.61 | 126.05 | 127.44 | 128.91 | 129.01 | 127.54 | 129.00 | 129.54 | 129.74 |
| FT-SE Baratck 200 | 1618.08 | 1619.12 | 1619.22 | 1619.79 | 1619.85 | 1619.93 | 1619.95 | 1619.96 | 1619.98 | 1620.00 |
| FT-SE Baratck 300 | 1618.71 | 1619.53 | 1619.53 | 1619.53 | 1619.53 | 1619.53 | 1619.53 | 1619.53 | 1619.53 | 1619.53 |

had been popular among domestic and overseas institutions earlier in the week. The group said on Thursday that 1995 sales had risen by some 6 per cent.

Financials fell back as hopes for lower interest rates began to dim slightly. Bancaire eased 1FF7.50 to 1FF7.17, Paribas by 1FF2.50 to 1FF2.70 and Societe Generale by 1FF2.14 to 1FF2.14.

AMSTERDAM fell from its highs on a technical correction as the AEX index eased 3.63 to 497.57 for a week's rise of 3 per cent.

In spite of the downturn, brokers were inclined to accentuate the fundamentals: the outlook for low interest rates and domestic inflation over the rest of the year remained positive, they said.

SMH picked up 1FF12 to 1FF14, continuing its recent strong run on improving investor sentiment ahead of the

construction, Huarts reversed earlier gains with a drop of 1FF17 to 1FF16.

HELSINKI saw a late afternoon pulp price cut by Konsu-Gutzeit but, by this time, the forestry sector had already fallen by 4.6 per cent as the Hix index closed 34.83 or 2 per cent down at 717.11.

The Hix was fractionally down on a week bedevilled by pulp price news and the volatility in US debt stocks in that area. Nokia dropped another 1FF1.00 to 1FF1.03, its fall on the week.

COPENHAGEN fielded a 1DKr13 drop to 1DKr12 in Tele Danmark as the KFX index dropped 1.18 to 107.55, 1.4 per cent higher on the week.

Ferruzzi gave up another 1L13 to 1L10.13 as investors waited for the exchange regulator, Consob, to detail conditions for Mediobanca's public buy offer for almost 10 per cent of Ferruzzi's shares.

Among the day's hardest hit blue chips, Olivetti fell 1L12 to 1L11.18, Fiat lost 1L10 to 1L05.05 and Eni L1.51 at 1L10.50.

MADRID closed well off its worst, the general index falling 1.69 to 327.34 after 325.96. Turnover was Precio, about half of this accounted for by a block trade in Repsol.

Ence, the paper company, dropped 1FF17.50 to 1FF17.00, reflecting a week's cuts in pulp prices; in

continued to attract support, as they had done most of the week, rising a respective FI 3.60 and FI 7 to FI 238 and FI 170. VNU was lifted by a number of upgrades from brokers following the company's forecast earlier in the week for good 1995 earnings; while Wegener, a diversified publishing house, confirmed yesterday that it had taken over a Dutch entertainment company.

ZURICH ran into profit-taking after the record setting sessions on Wednesday and Thursday. The SMI index finished 19.7 per cent at 3,376.11, still 2.4 per cent higher on the week.

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ASIA PACIFIC

Taipei plunges 6.7% on new tax measure

Taiwan's decision to re-introduce capital gains tax sent TAIPEI spiralling down. The weighted index lost 347.94 or 6.7 per cent to 5,049.30, more than 300 stocks plunging by a day limit of 7 per cent. The market also lost 7 per cent on the week.

Analysts expected prices to ease further as more foreign investors became reluctant to take positions in the market.

On Thursday parliament approved the re-introduction of the tax, abolished in 1990.

The tax is set at 14 per cent of the capital gains, but it is held for more than a year only 50 per cent of capital gains will be taxed.

The finance ministry now has to work out the details of how and when the tax will be imposed.

The impact of the government's liberalisation measures to ease curbs on foreign investment in the stock market, announced late last year, would be completely offset by the tax, analysts said.

Tokyo

Equities erased earlier losses

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Telsman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the three previous days is given with the relevant data.

† Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

Treasury 13 1/2% Lst 2002/03 - £120.4

Exchequer 10 1/2% Stk 2005 - £120.5 (248)

Corporation and County Stocks

Coventry City of 8 1/4% Lst 2000 - £98.15

Notley Metropolitan Borough Council 7% Lst 2000 - £100.25

Manchester City of 11 1/2% Red Stk 2007 - £121 (248)

Foreign Stocks, Bonds, etc (coupons payable in London)

Astley National Treasury Servs PLC 8% Gnd Bds 2002/03 (Br 1 Ver) - £101.45 (248)

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GUIDE TO UK SHARE CLASSIFICATION

For explanation see Weekend FT, Page 17.

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For explanation see Weekend FT, Page 17

A WRITER



FINANCIAL TIMES

Weekend January 6/January 7 1996

The MALT



Investment bank revolt led to UK exchange chief's downfall

By John Gapper,
Banking Editor, in London

Mr Michael Lawrence, the chief executive of the London Stock Exchange, was dismissed after members of some of the largest investment banks staged a revolt against the manner in which he was implementing share trading reforms.

Two leading investment bankers met Mr John Kemp-Welch, the exchange's chairman, in mid-December to make a formal protest at the method by which the exchange's board was planning to change how shares are traded in London.

Senior members of the exchange say the protest over the way reforms were being implemented was not directly connected with Mr Lawrence's dismissal. However, the incident contributed to discontent with Mr Lawrence among City of London financiers.

The protest by Lord Rockley, chairman of Kleinwort Benson, the investment bank owned by Germany's Dresdner Bank, and Mr Martin Owen, chief executive of NatWest Markets, the investment banking arm of National Westminster Bank, led to a change of heart by the



Lawrence: may consider suing exchange for wrongful dismissal

exchange's board on Thursday.

At the meeting, it both approved a call for Mr Lawrence's resignation, and added representatives from three firms of marketmakers, which act as wholesale share traders, to a committee which will monitor trading reforms.

Although the exchange has not

yet announced the membership of the nine-person committee, Mr Michael Marks of Merrill Lynch, Mr Scott Dobble of NatWest Markets and Mr Hector Sants of Union Bank of Switzerland, have been added.

Mr Kemp-Welch said on Thursday that no single incident led to Mr Lawrence's dismissal, and he had been dismissed as a result of a "loss of confidence over a long period" among the exchange's 350 member firms, and its board.

Investment bankers say they were exasperated by a series of incidents unconnected with trading reforms. They disliked what they regarded as a failure by Mr Lawrence to consult them on issues before implementing controversial changes.

"People were left feeling that they never quite knew what was going on, and they had to keep jumping up and down to get attention. The handling of this issue simply crystallised the feeling," said a leading member of the exchange.

Mr Lawrence, who is 52, was under a one-year contract which paid him £242,000 (£529,000) last year. He has not yet been paid a bonus he was due for the year to December 31, and is likely to seek a payment of about £500,000 from

the exchange. He may consider suing the exchange for wrongful dismissal if negotiations between his lawyers and those of the exchange are not concluded successfully. An action could centre on a claim that he was given insufficient warning.

Government officials are thought to have been concerned that Mr Lawrence was not warned of dissatisfaction with his performance before he was told by Mr Kemp-Welch on Thursday that the board wanted his resignation.

Although Mr Lawrence's proposals for trading reform were approved at a board meeting on November 30, some members were unhappy at the way in which Mr Lawrence proposed offering a "hybrid" system of trading from August this year.

After the dispute over trading reforms, Mr Kemp-Welch asked the exchange's senior appointments, remuneration committee, chaired by Mr John Bond of the banking group HSBC Holdings, to discuss Mr Lawrence's position. The committee met several times, and decided to recommend Mr Lawrence's dismissal earlier this week.

Man in the news, Page 9

Yeltsin moves to reassure west as nationalists applaud departure

Russian foreign chief Kozyrev quits

By John Thornhill in Moscow

Mr Andrei Kozyrev, the Russian foreign minister who helped re-integrate his country into the world community after the collapse of the Soviet Union, yesterday resigned to become a deputy in the newly elected parliament.

A liberal career diplomat much admired in western capitals but long reviled by Russian nationalists, Mr Kozyrev appeared to have lost the confidence of President Boris Yeltsin in recent months.

Mr Kozyrev sharply criticised Mr Yeltsin last year for his failure to check Nato's eastward expansion plans and his inability to bring sufficient Russian influence to bear in the former Yugoslavia.

The departure of Mr Kozyrev, blamed by critics for placing too much emphasis on relations with

the west, comes at a time of renewed Russian interest in relations with China, which Mr Yeltsin hopes to visit in the spring.

In accepting Mr Kozyrev's resignation, Mr Yeltsin tried to reassure the west that there would be no nationalist lurch in policy despite the strong showing of the communists and ultra-nationalists in last month's parliamentary elections.

"Western countries should not regard the resignation of Andrei Kozyrev from the post of foreign minister as any kind of threat or as an indication of change in Russia's foreign policy," the presidential spokesman said.

The Communist party welcomed his departure. "All Kozyrev's blunders have been in favour of the west," a spokesman said.

Mr Sergei Krylov, deputy foreign minister, will take charge of foreign policy until a permanent

replacement is appointed. Western diplomats praised Mr Kozyrev's contribution to dismantling Cold War antagonisms. "Russia's relations with the west have been completely transformed during this time as foreign minister and Kozyrev personally can take a large part of the credit for that," one said yesterday.

But diplomats said future Russian policy was bound to become more nationalist in style - if not necessarily in substance - to reflect the increasingly anti-western mood within the country.

In the early 1990s Mr Kozyrev introduced a new approach to Russian diplomacy, even appearing on western television talkshows to explain his country's policies in flawless English. His willingness to co-operate with international organisations led to him being nicknamed Mr Da (yes) in contrast to one of his

legends Soviet predecessors, Andrei Gromyko, who was known as Mr Nyet (no).

As one of Mr Yeltsin's most loyal and longest-serving ministers, Mr Kozyrev succeeded in dispelling many of the west's concerns about the president's erratic character and policies. Such was his influence that the west barely objected to Mr Yeltsin's use of force in October 1993 to crush his hardline opponents in the Supreme Soviet.

After being elected an independent deputy for the northern city of Murmansk last month, Mr Kozyrev had to choose between remaining a minister or taking up his post in parliament. His resignation was widely seen in Moscow as an elegant exit pre-empting his likely dismissal.

Kozyrev introduced Russia to a world it still mistrusts, Page 2

Comic cuts

Continued from Page 1

Marvel also said it would cut down on fancy covers and expensive papers for its comics. These are designed to appeal to comic book collectors and speculators, a market which collapsed in 1993.

This is not the first sign of trouble at Marvel. In March last year it warned that as a result of the baseball strike, it would

increase earnings by only 15-20 per cent for 1995, to \$0.69-0.72 per share.

Yesterday it said earnings before extraordinary charges would be only \$0.05 for the full year. The pre-tax charge of \$25m brings total charges for the year to \$65m.

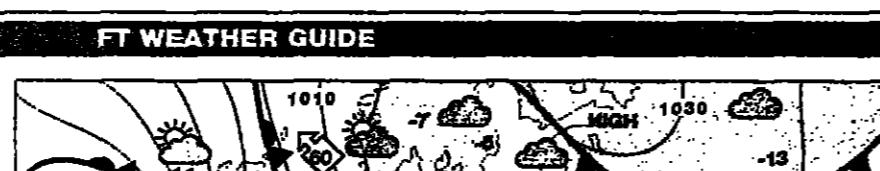
Wall Street evidently takes the threat to the empire seriously. Marvel's shares dropped 3 per cent yesterday to \$12.50.

Adobe shares slide 40%

Continued from Page 1

integrating the Frame sales force into Adobe's, and to increased spending on marketing and product development. He also said the company's fourth quarter revenue of \$201m was about \$10m below expectations, in part because of weak sales at Frame and late shipments of a new Adobe product, Adobe Illustrator. Adobe is developing software

for Internet publishing. Mr Geschke said publishers already familiar with the company's software would be able to make an easy transition from paper to electronic distribution with Adobe's new products. Mr Ed Blumenthal, head of research at Dain Securities, said he thought the share price drop created a buying opportunity because Adobe represents a relatively safe way to buy into an Internet-related share.



FT WEATHER GUIDE

Europe today

Five-day forecast

TODAY'S TEMPERATURES

| Maximum | Beijing | sun | 2 | Faro | rain | 18 | Madrid | rain | 12 | Rangoon | sun | 31 |
|-----------|-----------|-----------|----------|-------------|---------|-----------|-----------|----------|-----------|-------------|--------|----|
| Abu Dhabi | far 27 | Sabah | rain 10 | Cardiff | cloudy | 3 | Malaga | cloudy | 16 | Perak | sun | 6 |
| Acra | far 27 | Brunei | far 2 | Castablanca | far | 19 | Geneva | drizz | 17 | Rio | shower | 28 |
| Algiers | shower 23 | Bogota | far 2 | Cagliari | far | 11 | Gibraltar | rain | 17 | Rome | rain | 15 |
| Amsterdam | drizz 2 | Bogota | cloudy | 18 | Glasgow | rain | 5 | Helsinki | far | S. Fraco | far | 15 |
| Athens | cloudy 11 | Bombay | sun 31 | Delhi | far | 23 | Hamburg | far | 4 | Melbourne | far | 5 |
| Atlanta | rain 13 | Brussels | rain 4 | Dhaka | snow | 2 | Helsinki | cloudy | 4 | Mexico City | sun | 5 |
| B. Aires | sun 29 | Budapest | cloudy 3 | Dhaka | sun 26 | Hong Kong | cloudy | 21 | Miami | rain | 24 | |
| B. Shan | drizz 2 | C. Hagen | far 2 | Dhaka | sun 26 | Honolulu | far | 27 | Stockholm | cloudy | 5 | |
| Bangkok | sun 30 | D. Hagen | sun 17 | Dhaka | rain 11 | Istanbul | rain 4 | 27 | Sydney | rain | 23 | |
| Barcelona | cloudy 12 | Cape Town | sun 25 | Edinburgh | rain | 10 | Istanbul | shower | 28 | Tangier | shower | 19 |
| | | | | | | 18 | Madrid | cloudy | 10 | Tokyo | far | 9 |
| | | | | | | 19 | Malta | far | 28 | Tokyo | far | 9 |
| | | | | | | 21 | Naples | drizz | 25 | Toronto | far | 13 |
| | | | | | | 22 | Naples | far | 26 | Vancouver | rain | 7 |
| | | | | | | 23 | New York | sun | 13 | Venice | rain | 4 |
| | | | | | | 24 | Paris | cloudy | 13 | Vienna | cloudy | 3 |
| | | | | | | 25 | Paris | rain | 13 | Vienna | cloudy | 3 |
| | | | | | | 26 | Paris | shower | 17 | Washington | far | 3 |
| | | | | | | 27 | Paris | drizz | 7 | Washington | far | 20 |
| | | | | | | 28 | Prague | cloudy | 6 | Wellington | far | 20 |
| | | | | | | 29 | Prague | cloudy | 6 | Wellington | far | 20 |
| | | | | | | 30 | Prague | cloudy | 6 | Zurich | cloudy | 1 |

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Spanish bulls

Only months after buying Smith New Court, Merrill Lynch is poised to do a deal with FG, Spain's largest independent Spanish broker. Merrill's "global and local" strategic plan had already pinned Spain as one of six European countries in which it wished to compete for domestic business. The strategy makes some sense, parochial in specialists from a regional head office has limitations. Firms like Goldman Sachs with a large share of cross-border business this way, but Merrill wants to get domestic deals too. For this, a strong presence on the ground, with trading and research capacity, is clearly needed.

But FG, a top broker, will not necessarily give Merrill access to primary business. The Spanish banks, most of which own brokerages, have better access to corporate clients. And, unlike others in Europe, they are good at marketing and distribution, as Spain's relatively successful privatisation record demonstrates. Since broking margins are thin and overheads high, returns will be disappointing unless such business is generated.

Still, there are opportunities. Spain's small pension fund system is likely to grow and Spanish investors have yet to put much money overseas. Merrill's global reach will give it a strong competitive advantage in winning some of this business. Provided Merrill does not overplay, the deal may prove fruitful. But an even more daunting task lies ahead: building up operations in France and Germany, through acquisition or organic growth. Merrill faces a long haul.

UK supermarkets

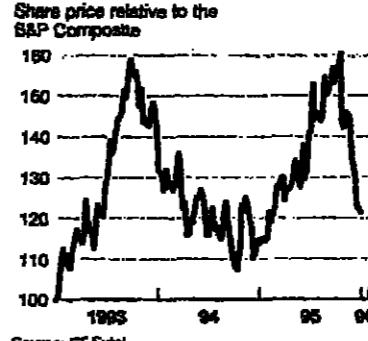
For all the talk of a renewed price war, the January promotions launched this week by Forte, Safeway and Iceland amount to little. Safeway, for example, is cutting prices on just 70 products in supermarkets that stock around 20,000 lines. In most big stores at least 200 items are subject to some type of special offer all year round. The promotions look more like sharp marketing in a quiet month than a real food fight.

Even so, the sector remains extremely competitive. Christmas trading statements over the next few weeks should reconfirm last year's trends, with Asda and Tesco expected to report double digit sales growth, Argyl's Safeway recovering and Safeway continuing to lag behind. Tesco is still benefiting from its Clubcard loyalty scheme, which allowed it

FT-SE Eurotrack 200: 16/1/91-16/7

Merrill Lynch

Share price relative to the SAP Composite



Source: FT Estat

to make a small profit over the holidays. The latest market share figures suggest that, having overtaken Sainsbury in dry groceries last May, it is now almost three percentage points ahead.

The big question for this year is how Sainsbury will fight back. It has yet to find a response to Tesco's loyalty card, but it still enjoys the highest sales per square foot among the majors. The group appointed a new marketing director in November and its current January Savers campaign, though no more significant than Safeway's in scale, is notably more aggressive in tone. If the group manages to revive some of its flagging sales momentum, it will be tempted to continue. That could turn today's phony price war into a real one.

UK house prices

This is the time of year when the housing market traditionally gets frisky. True to form, mortgage lenders and market pundits are again forecasting the long-awaited recovery. For 1996, expectations are for a 2-3 per cent rise in house prices, with a 10 per cent increase in transactions.

That optimism is based on hopes that this will be the year economic recovery and tax cuts finally feed through to consumers. In the past, rising disposable incomes have tended to drive the housing market. Measured against incomes, houses are now more affordable than at any time since the early 1990s. The last time mortgage rates were this low - albeit with more generous tax relief than today - the Beatle were in their heyday. While the last Budget carried no special